

Rethinking Philanthropic Effectiveness

Dirk Eilinghoff (ed.)

Rethinking Philanthropic Effectiveness

Lessons from an International Network
of Foundation Experts

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Introduction

This book is unique in many respects. First, it is the result of broad international collaboration involving foundation representatives and experts on philanthropy. Second, the various articles in this book are the result of a participatory working process that allowed more than 60 network members to contribute by writing, commenting and reviewing the articles. Third, the book presents the rich experience and knowledge of an expert group without promising easy answers to complex problems. All three aspects—the collaboration, the working process and the challenges addressed by the network—merit a closer look.

The collaboration: In early 2001, seven European and U.S. foundations joined forces to set up the International Network on Strategic Philanthropy (INSP). The aim was to provide a forum for dialogue and critical thinking on the role of philanthropy and its effect on societies around the world. Furthermore, the project was expected to gather, build and disseminate knowledge regarding effective philanthropy. The foundations contributing to this effort were Atlantic Philanthropies (Bermuda), the Bertelsmann Stiftung (Germany), the Charles Stewart Mott Foundation (USA), the Compagnia di San Paolo (Italy), the Ford Foundation (USA), the German Marshall Fund of the U.S. (USA) and the King Baudouin Foundation (Belgium). It was decided that the management of the project would be carried out by the Bertelsmann Stiftung and that the project team would be guided and advised by a steering committee consisting of representatives from all participating foundations.

As a next step, the INSP team invited more than a hundred representatives of foundations and support organizations, consultants and researchers from almost twenty countries to join the network and take part in the discussions and the working process. Almost seventy agreed to contribute to the work and invest a considerable amount of time (the network members were expected to meet in person at least twice a year over a period of four years). For the INSP members who wrote and edited the articles in this book, the work was even more extensive.

Apart from the steering committee, the INSP members and the network management, the project design provided for a fourth important element—the working group facilitators. These were representatives of leading research institutions and consultancies who were asked to structure the working process and make the link between practitioners and concepts developed in the academic arena.

The process: Over a period of three years, four INSP working groups met once to twice a year in person to discuss key aspects of philanthropy and to turn those discussions into products. Once a year, the network held a plenary meeting. In the final working stage for the publication, the work was carried out in more than 10 subgroups.

As a result of this intensive exchange, INSP has created links between organizations and people that go far beyond the usual loose contacts established at conferences or annual meetings of grantmakers. INSP meetings provide not only for peer-to-peer exchange, but also for peer-to-peer advice. In that sense, the articles in this book are a minor part of the benefits that the network generated for its members. Nonetheless, this volume is one of the principal tools for transferring those benefits to a larger audience.

The challenges: So far, there is no compelling strategic framework for analyzing the field of philanthropy. This fact is surprising, since most endowed foundations have the resources to support the systematic development of such a tool. However, in many respects, modeling structures and process and deriving a set of norm strategies seem to be much more difficult in the philanthropic world than in other spheres of society such as the business world. In contrast to corporations, foundations do not have to struggle to be continuing entities. In most cases, they are created in perpetuity and endowed with assets to fulfill their purpose. As a result, endowed foundations are in the enviable position of being able to pursue their missions with little outside pressure. By use of a skillful investment and reserves policy—under controlled inflation—their asset basis is never in jeopardy.

While the working mode of the organization is thus clearly defined, there are widely accepted measures or similar tools to define and measure the effect of philanthropic activities across different fields. Foundations thus have to renew themselves continually from within to stay abreast of changes in their funding areas and the environment. Where market signals are missing, a deep understanding of the funding area, an awareness of the key developments and organizational challenges in philanthropy, and effective forms of leadership are needed for creative and influential work.

This book is expected to provide insights into one of those three elements: the key developments and organizational challenges in philanthropy. The

authors have attempted to assemble the diverse competencies and cultural background gathered in INSP. We hope that readers will benefit from this approach. We would enjoy hearing from our readers about their experience in the fields covered in this volume. From its very beginning, the formal network set up by a coalition of foundations was always expected to grow into a larger international community caring about effective philanthropy.

We hope to hear from you.

For the INSP team,

Dirk Eilinghoff
Bertelsmann Stiftung

The Role of Philanthropy in Globalization

Helmut Anheier, Adele Simmons

1 Introduction

During much of the 1990s, philanthropy thrived, both nationally and internationally. Seemingly, philanthropy follows the familiar pattern of globalization and moves beyond national borders at increasing rates. At least for the very large foundations, a global presence, range of interests and actions seem to become the norm rather than the exception. Yet little is known about transnational philanthropy, and above all, its distinct role in an era of globalization. Through a series of case studies, this report aims to demonstrate the strategic role for philanthropy as a global phenomenon. Specifically, the case studies address the following questions in an effort to contribute to a better understanding of the potential of philanthropy and globalization:

- What is different about being a global philanthropic actor? How can local-global links best be established? How can foundations bring multiple constituencies together, and how can they operate in multiple jurisdictions? What are the implications for governance, organizational structure, programs and information flow? What innovations are taking place?
- What are the key roles for philanthropy? Foundations are institutions beholden neither to the political power plays of international governance nor to the market thinking of transnational corporations. How can foundations take advantage of the unique opportunities arising from their privileged position while operating at the transnational level? In other words, where and how can they best capitalize on their distinct advantage?
- What best practices and models can be found that address how foundations work as global actors, how can other foundations learn from them, and to what extent can they be transferred to other settings and circumstances?

Taken together, the case studies will illustrate where and how foundations can become strategic philanthropic institutions at the global level. They cover

different regions of the globe, look at different fields and issues, and offer a range of programs and activities. Insofar as is possible, each case study summarizes major lessons learned and analyzes the cases in light of four key questions:

- How did the foundation identify the specific needs, issues and challenges to address (i.e., mission and vision)?
- How did the foundation develop a strategic approach in order to have an effect on these needs in the specific global or local context? What was the “philanthropic added value”?
- Which strategies/programs/mechanisms proved most effective for operating as a “global actor”? How did they prove effective? What were some of the weaknesses?
- What are the implications of the case study as regards best practices, and what are some of the wider lessons for policy and strategic philanthropy?

A concluding chapter brings together the major results of the case studies and addresses some of the implications that follow from the work presented here. The following summaries offer abbreviated versions of each case study.

2 Distinct View—Intervening in the Practices of the Public and Private Sector

In “The Role of Philanthropy in Globalization,” Melanie Oliviero and Adele Simmons examine the use of philanthropy in addressing private- and public-sector deficiencies at the transnational level, i.e., situations where foundations can address problems caused by governmental or market failures. They look at how foundations helped create Transparency International to fight global corruption, and how they supported the spread of corporate social-responsibility programs; how they helped in the emergence of alternative product markets; and how they contribute to coalition-building across different stakeholders and coordinate strategies among different actors and interests.

There are three strategic philanthropic approaches that have given civil society a role in the globalization process. The first is to start new organizations at the local, national or global level. The second is to build coalitions across sectors among funders, civil-society organizations (CSOs), business and government. The third is to coordinate strategy among philanthropic organizations, leveraging each other’s power and working as a bloc.

2.1 Starting New Civil Society Groups

In recent years, groups created and supported by international funders have developed new tools for measuring and monitoring the effect of globalization on citizens. Some of them have influenced governments and markets at the local and global levels and demonstrated that strategic funding can quickly have an effect.

2.1.1 Intervening in Government: Transparency and Anticorruption

Civil-society groups, directly supported by large foundations and individual funders, have begun the process of introducing transparency into the multi-million-dollar international transactions of large private and public institutions. One of the best-known examples is Transparency International (TI), a nongovernmental organization formed in 1993 with headquarters in Berlin. TI's goal has been to develop and systematize independent, scientifically valid tools for identifying and tracking corruption in government. TI has designed and tested a set of empirical indicators that provide credible worldwide data on corruption. As TI has grown and gained legitimacy, governments and financial institutions have begun, often reluctantly, to pay attention. Embassies and ministries are forced to respond when TI's annual reports show their countries ranked among the world's most corrupt. After years of resistance, the World Bank has a strong anticorruption program in place. The OECD passed an antibribery convention in 1997, largely because of tools developed by TI that make measurement and enforcement possible.

2.1.2 Intervening in the Market: Workers' Rights and Corporate Accountability

The corporate social responsibility (CSR) movement can also be traced to the grassroots level. Workers in factories and consumers of their products have reinforced community-based demands for corporate accountability in both exporting and importing countries. In seeking to respond, philanthropy built upon its relationships within the human-rights movement. Grassroots organizations in Europe and the United States used information from human-rights groups to mount campaigns against the exploitation of women and children.

Indigenous CSOs in developing countries were engaging with factory

owners themselves. For instance, the China Working Women's Network (CWWN) provided basic environmental health and safety information to primarily migrant women workers. Additionally, in coordination with the Independent Monitoring Project (a small team of experienced environmental and health specialists based in the United States) and Chinese counterpart organizations in Hong Kong, CWWN has been instrumental in helping workers set up health and safety committees, mostly in Taiwan and Hong Kong, to interact directly with management.

2.1.3 Intervening in the Market: Building Alternative Markets for Certified Products

The Forest Stewardship Council (FSC) is an example of philanthropy facilitating a global shift in markets that protects a public good. It began as a joint project between the MacArthur Foundation and the World Bank to increase demand for sustainably produced timber. Market forces alone were unlikely to shift in favor of conservation, nor could regional governments impose protectionist environmental policies. In 1993, the funders launched FSC to help institutionalize a certification process for wood products derived from sustainably harvested timber. This led to the establishment of the Certified Wood Products Council, a trade association whose mission is to develop new markets for sustainable wood products.

2.2 Building Coalitions across Groups

Philanthropy has learned to leverage its power either by building coalitions exclusively with CSOs or building alliances among NGOs, citizen groups, private companies, and governments. For example, an International Conference on Population and Development (ICPD) was planned for Cairo in 1994, with UNFPA (the UN Fund for Population) as the lead organizing agency. In an effort to persuade governments to address population policies more openly and progressively, foundations, with the leadership of the International Women's Health Coalition, supported efforts to convene the UN and civil-society groups a year before the Cairo conference. The funders defined ways in which this broadly representative, well-informed, global constituency could be an ally to UNFPA. The presence of foundations enabled civil-society organizations to participate in these negotiations. Consequently, civil-society groups working with the UNFPA and governments had several meaningful

effects: they helped shape the twenty-year ICPA Program of Action; ensured that HIV/AIDS was openly discussed; and gave greater visibility to widespread gender inequality and the problem of domestic violence.

Corporate accountability and global standard-setting are another key example. In response to consumer demands in the 1990s, corporations realized the potential gain in working with civil-society groups to deal with environmental problems and labor rights. Some civil-society groups welcomed the opportunity to work with corporations to set standards and monitor their implementation. For example, the Global Reporting Initiative (GRI) sets global standards for transparency and reporting on corporate social and environmental practices. Designed from its launch in 1997 to support a “multi-stakeholder” process, GRI is a coalition of private firms, government representatives, and civil-society groups from professional, environmental, labor and human-rights communities as well as donors. The donors’ participation helped surmount some of the complex challenges of building this global coalition and also helped mediate problems among the various sectors.

2.3 Coordinating a Funder Strategy

The final two cases are examples of coalition building by foundations. These coalitions have successfully mapped out multi-year capacity building plans for addressing a target issue and built momentum toward a concrete goal.

2.3.1 Intervening in Government: Making International Treaty Law

The establishment of the International Criminal Court (ICC) is largely the result of a global campaign that attracted donors interested in building a civil-society movement for a new international instrument of justice. When the treaty to establish the court was approved by the United Nations Conference of Plenipotentiaries on the Establishment of an International Criminal Court in 1998, more NGOs than governments were represented. NGOs were able to participate because a number of philanthropic institutions recognized the timeliness and significance of global treaty-making to enforce international norms. Philanthropic institutions also realized that only civil society could create the international constituency required to persuade governments to support the court.

2.3.2 Intervening in the Market: Institutionalizing Global Philanthropy

Funders have also worked together to influence the private sector and trade policy. The Funders Network for Trade and Globalization (FNTG) was established in the late 1990s by environmentally minded members of the Consultative Group on Biodiversity (CGBD). The CGBD hoped to address, on a global level, the role of multinational corporations on the one hand and the practices of international rule-making on the other.

A series of grants made by members of the CGBD and others supported research and education on the accountability to human and environmental security of the World Trade Organization (WTO), World Bank, International Monetary Fund, and other international financial institutions. In the wake of the dramatic confrontations in Seattle in 1999, where diverse civil-society groups challenged what they viewed as the lack of public accountability in trade negotiations, funders saw immediately that global networks of civil-society groups from different countries working together can shift the globalization debate. The Funders Network on Trade and Globalization was thus established on the principle that a collaborative effort was the best way to better understand the effects of globalization and to promote systemic change.

3 The Global and Local Dimension

Dan Nielsen looks at three cases in which foundations identified strategic areas of interventions around global problems with local manifestations: Rotary International and the eradication of polio; the Bill and Melinda Gates Foundation's program to develop vaccines for malaria and the HIV/AIDS virus; and the Catherine T. McArthur Foundation's grantmaking program for environmental protection and natural-resource management. The central lessons of the three examples presented here are that philanthropy can be most effective when it takes into account the global and local aspects of a problem and when it matches its resources and abilities to existing needs.

3.1 Rotary International and the Fight to Eradicate Polio

In 1979, at the behest of a Filipino Rotary club addressing a need in its community, Rotary International spent \$760,000 to purchase enough vaccine to immunize the Philippines' six million children. In addition to financial sup-

port, Rotary's network of volunteers played a critical role in transporting and administering the vaccine. Through this effort, Rotary realized its ability to address larger-scale problems by mobilizing its vast membership to focus on common projects. Rotary clubs had always carried out service projects independently and focused their service projects on local communities.

In 1985, Rotary stepped up its efforts through the launch of its PolioPlus campaign, an effort to immunize every child on the planet. Apart from its considerable human and financial resources, Rotary tried to involve organizations, governments and individuals from around the world in the eradication campaign. Leaders in countries where polio was endemic, as well as national health officials, were encouraged to sustain immunization levels and to adopt polio-eradication strategies based on WHO guidelines. Largely because of Rotary's efforts, there were only 480 cases of polio in the world in 2001, a decrease of more than 99.8 percent. Throughout the campaign, Rotary effectively balanced its role as an international organization and a central coordinator while allowing individual clubs to operate independently on a local level.

3.2 The Bill and Melinda Gates Foundation and the Search for Vaccines

In order to address the scope of the malaria and HIV/AIDS crisis, global intellectual and financial resources must be marshaled. The Gates Foundation believes that the economic benefits of preventing disease through the use of vaccines is "a straightforward healthcare bargain" that outweighs the drugs' costs. They adopted a multipronged approach that ensures that drugs are affordable, that adequate delivery mechanisms exist, and that new vaccines are developed and quickly made available to those most in need.

As an independent entity with vast financial resources, the Gates Foundation is in the unique position of being highly flexible and able to pursue high-risk initiatives independent of governments, large constituencies or market incentives. Furthermore, the Gates Foundation has targeted a majority of its funding to alliances that involve representatives from academia, public institutions and private enterprises. The Gates Foundation has also worked to ensure that any potential vaccine incorporates the results of various development efforts. Through supporting alliances, the Gates Foundation helps to overcome various patent hurdles, thus ensuring that a new vaccine is as effective as possible. In addition, the Gates Foundation funds various preventative efforts around the world. The foundation's work serves the dual purpose of

limiting the spread of HIV/AIDS and malaria (and other diseases) while developing the infrastructure and local networks that can be used to immunize people quickly once vaccines are discovered.

3.3 The MacArthur Foundation

The MacArthur Foundation has focused its conservation efforts on a small number of highly threatened, tropical ecosystems around the world. These ecosystems contain high levels of species diversity and endemism but are threatened by severe human poverty and rapid population growth. The aims in each area are to preserve biological diversity, develop and improve long-term sustainable natural-resource use practices, and promote environmentally friendly economic growth. To address these issues, the foundation developed a list of three priorities to guide its grantmaking: the diminishment of threats to biodiversity; the development and validation of new conservation tools and methodologies that will provide innovative solutions to persistent problems; and the augmentation of capacity among regional experts and practitioners in order to sustain conservation efforts over the long-term.

In order to determine the ecosystems that can benefit from MacArthur's efforts, the Foundation investigated species diversity, endemism, endangerment, and the potential of surrounding communities and host countries to address the issue. The legitimacy of the foundation's work stems in part from its participatory approach. MacArthur at times relied on grantees and partners within a region to help develop a regional strategy and determine funding priorities. Moreover, developing the capacity of local people and institutions insures the continuation and furtherance of MacArthur's work when the foundation shifts its focus to other regions of the world. Another benefit is that, through its work with NGOs, government agencies, and communities, particularly when target areas span more than one country, the MacArthur Foundation fosters transnational dialogue and cooperation.

4 Philanthropy and Networks in Global Civil Society

Giuseppe Caruso's contribution, "Funders and Funder's Networks in Global Civil Society," picks up the theme of coalition building identified by Oliviero and Simmons, and explores it in greater detail in the case of the World Social Forum. He shows the approach and strategies of a group of funders to quickly create a coalition among individuals and nongovernmental organizations to

bring about the World Social Forum as an alternative global platform of debate to challenge the dominance of the World Economic Forum.

The opposition from Global Civil Society (GCS) to international frameworks of global governance and the widely perceived injustice and inequality caused by corporate-led globalization is becoming stronger. These transnational networks of social movements and organizations of civil society have recently selected the World Social Forum (WSF) as the space within which to share experiences and knowledge as well as to experiment with new forms of global democratic participation. This report will focus on the role of philanthropic foundations in the WSF. In particular, the focus will be on the role of Funders Network on Trade and Globalization (FNTG) and its efforts in creating an interface between the funders' world and the WSF.

One of the goals of the WSF is advocating social change on a global scale to address the injustice created by corporate-led globalization. Since its inception, the WSF has maintained a close relationship with the world of private foundations. The WSF has swelled from 15,000 participants in January 2001 to 100,000 during its most recent gathering. The WSF is now a space within which a wide range of social movements, unions, grassroots organizations and NGOs converge to advocate for globalization on the basis of solidarity, social justice, peace, and full respect of differences. Moreover, the WSF offers a necessary public space for counterbalancing the action of governments and markets. This public space ensures the existence of a healthy, worldwide democracy and helps build a shared perception and understanding of global citizenship.

Productive relationships are being started on a network-to-network basis. The flexibility and adaptability of this organizational structure has been tested with great success among GCS organizations. Further relationships promise to be fruitful for the WSF as well as for the funder community. The Funders Network on Trade and Globalization, established in 1999, serves as a case in point. One of the goals of FNTG is to clarify the extent to which its mission can also shift action from a locally and nationally oriented philanthropy to an international orientation in order to tackle current problems affecting local communities.

FNTG is not only a network of funders, it is also a community of more than 200 organizations of civil society from around the world. FNTG provides its members with a variety of educational and informational materials, and promotes potential funding opportunities to help increase the strategic effect of grantmaking. Furthermore, FNTG aims to bring the funder community in touch with the WSF process. Aware of the importance of network-to-network relationships, FNTG has worked for the past two years in coordination

with other funders' networks to provide information and promote discussion about the WSF among its members.

The principle of experimentation, a defining feature of the philanthropic approach to societal change, is appreciated by the WSF. On the basis of this principle, grantmaking is directed at the root causes of problems in order to prevent conditions that necessitate charitable intervention. Experimenting with new and alternative problem-solving techniques allows NGOs and grass-roots organizations to work and meet in a stimulating and creative environment. Moreover, foundations will have the opportunity to evaluate how engaging WSF actors and organizations on a global scale can help them realize their goals both at the global and local levels.

5 The Role of Philanthropy within the United Nations System: The Case of the United Nations Foundation

In "The Role of Philanthropy in the United Nations System," Stefan Toepler and Natasha Mard examine the origins and operations of the United Nations Foundation. The case study shows how a visionary board can formulate a strategy on how philanthropy can effectively engage with supranational government, and while becoming an advocate for the UN, still maintain its relative independence from a political agenda, thereby guarding its distinct philanthropic role.

Founded by media entrepreneur Ted Turner in 1997, the United Nations Foundation (UNF) is characterized by the direct and formalized engagement of private philanthropy with a (supranational) government. With regard to its grantmaking, the foundation's work is closely intertwined with the UN bureaucracy. The foundation retains its ability to establish policy priorities within broad parameters set by the UN, but essentially shifts the tasks of grant solicitation, evaluation and administration to the grantee, leaving the foundation free to concentrate on policy development and non-grantmaking efforts.

In its November 2002 grantmaking report, the UNF reported having made more than 350 grants totaling \$575 million to causes supported by the UN. About 40 percent of the grants were distributed to improve "children's health," with the "environment" and "women and population" receiving about 22 percent. Only 9 percent was apportioned to address issues of "peace, security, and human rights," and the remaining 7 percent went to other, unspecified causes. The African continent received the most funding.

The implementation of the foundation's grantmaking programs rests on a

two-pronged approach: close engagement and collaboration with the prime beneficiary—specifically, the UN’s secretariat—on the one hand, and a strategically selected foundation board on the other. Overall UN priorities, as determined by the UN’s secretary general, serve as the basic platform for the development of UNF programs. Within this broad framework, however, the UNF board sets its own priorities. The priority areas, as formulated by the UNF board, are then subject to further refinement in collaboration with UN entities, specifically created for this purpose, before proposals from within the UN systems are accepted or solicited in the main program areas.

The evolving UNF experience can provide a useful example for a reinvention of foundation/government relations at the national and local levels. While the highly formalized interaction with the UN may have its bureaucratic drawbacks, it also potentially extends the reach of the foundation beyond the limits of its own resources. The key difference to the regular venture-philanthropy model is that the power relationships are reversed, with the UN system, as the grantee, retaining overall dominance.

6 Philanthropy in Post-Conflict Situations

Natalia Leshchenko explores the role of foundations in “weak” or “failed” states, in particular in post-conflict scenarios. In “Philanthropic Foundations’ Assistance in Post-Conflict Situations,” she looks at the role of the Charles Stuart Mott Foundation and the Soros Foundation Network and finds that they serve to promote systematic change and democratic tendencies in post-conflict societies by building bridges of understanding and engagement.

Armed conflicts have become a feature of the globalizing, post-Cold War world. Between 1989 and 2002, there were 111 wars, rebellions, and mass clashes around the world. Some of them absorbed millions of people and spread across the borders of several states. Against this background, this case study examines the role of philanthropic foundations in post-conflict situations. It focuses, geographically, on Southeastern Europe and, organizationally, on the Charles Stewart Mott Foundation and Soros Foundations Network (SFN), with insights from the experience of the King Baudouin Foundation (KBF). The cases show that philanthropy can promote systemic change and support democratic tendencies and relations in post-conflict societies.

The Mott Foundation, SFN and KBF serve the overarching aim of improving conditions for individual and human development. The Mott Foundation engaged internationally after more than seven decades of community-based work in the United States. The SFN was established to promote the develop-

ment of open society in Central and Eastern Europe following the collapse of the communist regimes between 1989 and 1991. For KBF, involvement in Southeastern Europe constituted a part of its ambition to become a European foundation.

Specifically, the improvement of ethnic relations was conceived by Mott as one direction in the three-pronged policy for the strengthening of democratic society. The Mott Foundation's office was opened in Prague in 1989, and covered the foundation's programs in Eastern Europe, Russia, and central Asia. In 1991, the Mott Foundation started to fund programs in the area of conflict resolution as part of a broader effort to encourage political and economic transformation.

Instead of giving his foundation the traditional structure of headquarters with local offices, George Soros opted to create an association of open society foundations registered as local organizations in their respective countries. The network foundations share the values of open society and the desire to exert systemic influence, either through structural changes, or by introducing sustainable new models. On the basis of such universal values, the foundations themselves determine the activities in which they engage, guided by the identification of the authentic needs of their community at different levels, from the local to the global.

The challenges that philanthropic foundations faced in post-conflict Southeastern Europe fell within three broad categories: managing relations with local partners, coordinating with other international organizations, and improving the effectiveness of the foundation's own work. Notably, the experiences of both the Mott and Soros foundations and KBF in post-conflict Southeastern Europe concur in many ways, especially in regard to challenges and responses.

First, with regard to their relations with local partners, the Mott and Soros Foundations and KBF listed the following lessons learned from their multi-year involvement in post-conflict situations:

- Sensitivity to the local context is essential.
- Capacity-building is more effective than project support.
- Choice of partners is crucial.
- Training programs should be used as a strategic tool to achieve wider aims.
- It is essential to develop a capacity for effective official government action that addresses ethnic issues and resolves disputes.

Second, charitable foundations have not been the only foreign actors in post-conflict Southeastern Europe. Both Mott and the SNF have found cooperation

with other agencies to be beneficial and effective, and they have found partners among them. In addition, philanthropic foundations have also entered partnerships with each other.

Third, from the organizational point of view, a philanthropic foundation faces at least two challenges with international involvement: lack of knowledge with regard to the situation on the ground and administrative regulations in their home country, which may allow only large-scale donations. In order to solve these problems, both Mott and SFN opted to maintain a local presence, and they have given wide discretion to their local offices. Both foundations have adopted a regional approach to strengthen their influence. Mott prefers to work with local organizations where feasible. The choice of intermediary, however, is secondary to the ultimate purpose of fostering local capacity.

7 The Infrastructure of Global Philanthropy: WINGS and WINGS-CF

The final case study, by Diana Leat, deals with the infrastructure of global philanthropy and examines the role of WINGS (Worldwide Initiatives for Grantmaker Support) and WINGS-CF (Worldwide Initiatives for Grantmaker Support-Community Foundations). She finds that a critical role for WINGS is information management and the dissemination of expertise and knowledge among foundations that work across different jurisdictions and fields.

This case study of WINGS and WINGS-CF relates to the globalization of philanthropy, a process defined as the spreading of philanthropic institutions and practices globally. The globalization of philanthropy has been further underlined by the trend among many U.S. foundations to move away from giving directly to local NGOs and toward supporting the creation of a philanthropic infrastructure in the form of, for example, community foundations. The advantage of the latter strategy is that it is seen to be self-sustaining and that it reduces some of the legal problems with cross-border giving.

WINGS is one of several initiatives within the category of globalization of philanthropy. WINGS evolved out of the recognition that grantmaker support organizations needed a forum in which to discuss the variety of common issues related to their support of grantmakers worldwide. Grantmaker associations provide opportunities for networking, sharing ideas and best practices, mentoring relationships, advice and technical assistance, and joint projects on issues of common concern. In addition, national associations and support organizations play a key role in the public-policy debate over the role of foundations in national life, and the regulation of foundations and nonprofit or-

ganizations. In so doing, they promote legislation to create a more supportive regulatory climate for foundations and other nonprofit organizations.

WINGS is a project of the Council on Foundations. It is a network of participating organizations that share a common interest in and fundamental commitment to promoting indigenous giving and philanthropy. WINGS is composed of two related networks. The parent body, WINGS, is a global network of more than 95 membership associations serving grantmakers and support organizations serving philanthropy. WINGS-CF (community foundations) is a subgroup of WINGS focusing on organizations supporting the development and work of community foundations in various areas around the world. Accordingly, WINGS and WINGS-CF are not associations of foundations, but rather associations of national and regional associations of foundations along with some other organizations supporting grantmakers.

One of WINGS-CF's major channels of communication is the Internet. Provision of practical knowledge and information via electronic communication appears to have been a highly effective strategy for WINGS-CF. WINGS-CF also places considerable emphasis on the value of face-to-face communication via peer-learning meetings and wider WINGS conferences.

8 Conclusion

What moves foundations to operate on a global level? Why do foundations shift their mission from domestic to global issues? Although it appears that each foundation has its own reasons for focusing internationally, it is generally the combination of an identifiable need, the opportunity for strategic intervention commensurate with available resources, and internal leadership that drives this broader engagement. Foundations also choose specific issues and challenges for practical reasons: as a response to a need or movement or to issues that have specific goals and measurable outcomes. However, the overarching reason foundations chose to address globalization issues was a shared understanding that the current political and economic regime of globalization and the profound restructuring of the world system have a deep influence on the philanthropic actions of foundations. Finally, some foundations choose to address issues and challenges by identifying a need within the funder's community, by simply responding to the needs of movements, or by listening to civil-society organizations in emerging countries.

Most foundations are in command of greater monetary and human resources than NGOs and have greater flexibility in allocating funds than governments do. Foundations tend to be viewed as "apolitical" or more neu-

tral organizations and can therefore engage local actors more easily. Foundations can support the local capacity building and provide a sustained, medium- to long-term commitment. In addition, foundations can mobilize their existing networks around a specific problem while remaining flexible in their grantmaking to adapt it to changing needs. Thanks to their independence, foundations can serve as catalysts and bring all types of groups together—not just government, the private sector, and other funders, but also citizens who otherwise would not have a voice in the globalization process. A final strategic approach for philanthropy is to coordinate a funder strategy that creates a “safety in numbers” effect and allows foundations to have more of an influence.

Our cases show that the most effective strategy for a foundation is to serve as a catalyst and build coalitions of various stakeholders as well as form partnerships with civil-society organizations, businesses and governments. Another effective strategy was to identify and support core leaders in each local chapter to promote advocacy, awareness, and education. In order that philanthropy may have an effective strategy, it must be flexible and adaptable. There is no “one size fits all” philanthropy, be it locally or globally. Among the weaknesses and mistakes in foundation approaches are choosing inappropriate partners and not giving local officials enough say in determining their own destinies and visions.

We suggest that five strategic elements are crucial for making transnational philanthropy work in an age of globalization:

1. Identify a need that for whatever reason is beyond the reach or interest of other actors, and where an international foundation can provide or leverage resources commensurate with the problem at hand.
2. Identify an existing or potential community or coalition of individuals and organizations that can implement the program locally, and as part of a transnationally networked approach.
3. Collect, analyze and share knowledge and information across different project sites, and serve as the intellectual center of the project and an honest broker among different parties.
4. When necessary, set and insist on clear goals and benchmarks that can be easily agreed upon, but be willing to take risks in supporting medium- to long-term efforts with great uncertainty.
5. Develop, discuss and agree upon possible exit strategies early on, and have parties agree to a longer-term vision.

Promoting Philanthropy: Global Challenges and Approaches

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1 Introduction

The promotion of philanthropy has become a major interest of civil society over the last two decades. Because of severe cutbacks in government services, widespread political reform, and changes in government policies in recent years, civil-society organizations are increasingly becoming the providers of basic social services once viewed as the responsibility of the state. As a consequence, the importance of civil society—and the role of private resources in supporting it—has increased dramatically in recent decades.

One of the principal hurdles to the growth of philanthropy globally is the fact that surprisingly little research has been conducted on promotion efforts around the world. What are the real obstacles to more and better philanthropy, and what strategies could be employed to address them? What approaches have been or are currently being tried? Is there a need for new models? What could those be?

This paper is an attempt to explore such questions, consider existing strategies, illuminate promising practices and models with broader global potential, and raise additional questions for further consideration and research. The intent is to mobilize knowledge regarding today's promotion strategies and efforts and to encourage their adaptation and use in countries and regions in which they are less known and seldom practiced.

2 Challenges

At the risk of oversimplification, it can be said that most promotional efforts to date have addressed four broad and pervasive challenges to the growth of philanthropy.

2.1 The Legal and Financial Environment

Surprisingly, there is little evidence about the correlation between a favorable legal and tax environment and an increased volume of philanthropic giving.¹

There is, however, general consensus that in countries with particularly limiting and restrictive legal and tax structures, systematic efforts to improve the legal environment will help to encourage more philanthropy.

In some countries, multiple legal and tax impediments limit the ability of individuals to engage fully in philanthropy. While some legal barriers directly inhibit the creation and operation of philanthropic institutions, many others are linked to the regulation of civil society generally. Issues specific to philanthropic organizations include, for example, restrictions on capital formation and endowment building, laws regarding personal economic benefit, and taxation of charitable gifts. Broader civil-society legal policies affecting philanthropic growth include: the relative ease of the registration process for non-profit organizations; the extent to which the sector's institutions can operate free of undue interference by the state; the relative ease of raising funds (e.g., tax incentives and policies); and institutional and sector accountability and transparency.

2.2 Cultural Attitudes and Values

In some regions and countries, there is only a limited acceptance of the expanding role of civil society, often accompanied by related, continuing debates about the legitimate scope of public action. In countries where the government has long been the provider of basic services, there is typically a strong feeling that this responsibility should remain the state's—despite enormous cutbacks in such services.

In many other countries, there appears to be a pervasive lack of trust and confidence in nonprofit organizations. In some countries, larger nonprofit organizations are viewed favorably, while there is suspicion of the operations of smaller, grassroots organizations, resulting in conservative gifts to “safe” causes such as schools and hospitals. Conversely, in other countries, there is

1 For instance, in a recent roundtable discussion organized by *Allavida* magazine on the issue of “How to Get Philanthropy Going,” not one participant claimed that tax incentives were important (see *Allavida*, vol. 9). Participants in the discussion came from Brazil, India, the Philippines, South Africa, and other countries. In contrast, in an APPC study of Asian HNWI philanthropy, tax incentives were viewed as a promising strategy to promote more philanthropy.

greater trust in small, local NGOs and suspicion of the new “professional” NGOs. And in still other countries, the “third sector” is simply seen as a way of avoiding taxes or seeking political gain. No doubt, some of these negative perceptions are correct. The challenge for civil society is to establish policies, practices and mechanisms that will challenge such perceptions and strengthen the confidence of donors.

2.3 Individual Donor Engagement

Traditional philanthropic attitudes, practices and organizational approaches vary widely. At the same time, the act of giving is intensely personal. Personal and family values, motivations, interests and approaches are often unique.

Yet in many countries, individuals considering becoming philanthropically engaged simply do not have options or resources available to them. For example, while the number of community foundations around the world has grown rapidly, it is becoming increasingly clear that geography is not always a successful motivational or organizational principle for promoting philanthropy.

In addition, in many countries, resources for philanthropic “education” are limited, particularly for those with higher levels of wealth who could consider more structured philanthropic engagement and advice. Moreover, such knowledge is seldom neutral, since it is often provided by those seeking to raise funds for a particular organization, agenda or cause.

2.4 Capacity and Infrastructure

A significant impediment to philanthropic growth in many countries is a lack of institutional capacity and professional standards, both in the NGO and philanthropic sectors. In many countries, particularly those in which the nonprofit sector is relatively young and heavily reliant on volunteers’ efforts, many organizations lack the skills, resources or constituency required to manage programs effectively. Perhaps most importantly, many organizations lack policies and processes that create the transparency and accountability required to build trust and attract donors.

In addition, in many countries, such institutional impediments are aggravated by institutional weaknesses in the supporting infrastructure. The rapid development of civil-society infrastructure such as NGO associations and networks has not, in most cases, been accompanied by sustained invest-

ment. As a result, umbrella groups struggle to raise funds to sustain basic functions, rather than developing broader services.

3 Key Audiences

Efforts to promote philanthropy targeting rich persons are common around the globe. But philanthropy has also always existed among those of more modest means, and the power of many smaller gifts is increasingly being recognized. Consequently, many recent organized experiments to promote philanthropy have been focused on the philanthropic potential of the population generally. In addition, an increasing number of efforts are tailoring programs for specific populations, such as the following.

- *Women*: Over the past several decades, women have emerged as a force in philanthropy in many countries. A growing body of research indicates that women's approaches to philanthropy differ greatly from men's. Two of the most popular means for promoting philanthropy among women are women's funds and pooled-giving circles.
- *The corporate sector*: The corporate sector is an increasingly strong driver of philanthropic growth in many countries. Corporate philanthropic involvement includes comprehensive workplace giving, executive giving circles, and corporate foundations. Additionally, corporate leaders are increasingly becoming spokespersons and advocates for increased philanthropic involvement, both to their corporate peers and to their communities.
- *Youth and young professionals*: Effective strategies for inspiring youth philanthropy include classroom curricula for elementary- through high-school children, and giving circles organized through schools or community and church organizations. Young people often start their philanthropic journeys through volunteering. Therefore, many programs offer them opportunities to "give time." In addition, several known programs encourage a "venture philanthropy" approach, with significant, direct donor involvement with the nonprofits that they support.
- *The wealthy*: Many efforts to increase philanthropic resources continue to focus on wealthy persons. This demographic group has the ability to make sizable contributions to charitable causes and enormous potential for increased giving. In addition to continuing work by community foundations, philanthropic advisers, banks, and large NGOs are increasingly promoting philanthropy among wealthier clients. Strategies include: donor education, making advocates of professional advisers, and giving/learning circles.

- *The less wealthy*: As noted above, a small but growing number of programs recognize the power to cultivate philanthropy among the less-affluent members of society. Such giving, sometimes referred to as “philanthropy of the poor,” may be particularly important in regions with strong traditional giving cultures, such as parts of Latin America, Asia and Africa. Examples include “community funds” (often passed down over generations), “merry-go-round” funds, and pooled funds to help pay for weddings, funerals, businesses and other needs.
- *Diaspora groups*: Individuals residing outside their home country are an increasingly significant philanthropic resource in many countries. Diaspora giving takes several forms, including individual “remittances,” collective community support, and large individual social investments. An increasing number of efforts try to promote philanthropy among these groups, including numerous “hometown associations,” and several country- or region-specific funding intermediaries. In addition, the governments of several countries (e.g., Mexico and India) have recognized the potential effect of increased cross-border giving and actively seek to encourage it. Another important dimension of diaspora giving is the internal diaspora, especially the populations organized into “hometown associations.” Typically, these associations meet regularly and provide a mix of services, including social support, loans, and fundraising for community projects.

4 Strategies to Promote Philanthropy

What are the strategies and organized efforts that can “grow” philanthropy, particularly those that have received relatively little attention to date? Why is it that the promotion of philanthropy is most likely to produce results when it (1) is promoted through a range of approaches, (2) recognizes the unique character of a local community and the wide diversity of potential donors within it, and (3) employs multiple strategies to cultivate philanthropy within diverse populations? This section of the paper seeks to answer these questions.

4.1 Legal Reform

Around the globe, efforts are afoot to spur increased giving through changes in government policies. Most reform efforts seek to address constraints on philanthropic growth through three approaches: (1) improving the regulatory

framework for philanthropy and civil society, (2) developing tax policies that favor philanthropy, and (3) increasing institutional accountability and transparency.

- *Improve the regulatory environment:* The relative ease or difficulty with which an NGO or philanthropic institution can obtain legitimacy—either through registration or incorporation or both—is one of the most important factors in the development of the formal nonprofit sector in any country. For instance, such legal status enables NGOs to accept and expend contributions. When a country, whether intentionally or inadvertently, erects barriers to legitimacy, the nonprofit sector suffers. In some countries, the registration process can be expensive and burdensome. In others, the number and activities of nonprofits are strictly limited. In many countries, NGOs simply prefer not to register, in order to remain free of government control.
- *Tax incentives for giving:* Many countries are debating the efficacy of more favorable tax policies in encouraging philanthropic giving. There is no clear consensus, however, about the effect of such incentives. What is clear, however, is that while tax policies vary greatly from country to country, in general, most countries offer little or no fiscal incentives for giving to NGOs. Those that do provide such incentives typically impose strict limits on both the levels of deductibility and the amount of the available tax reduction.

Among tax-based approaches to promoting philanthropy, “percentage laws,” which allow taxpayers to allocate a certain percentage of their income tax to approved NGOs, appear to be gaining popularity, particularly in Eastern and Central Europe.

Tax-based promotion policies are not always easy or appropriate. As countries increasingly debate the legitimate role of their philanthropic and nonprofit sectors, many are trying to guard against the misuse of fiscal incentives. Furthermore, the fiscal challenges faced by many countries make it politically difficult, and sometimes imprudent, to reduce tax revenues.

In most countries and regions, tax reform should be approached in concert with other initiatives to promote philanthropy. In much of the world, the government’s attitude regarding such policies reflects the general distrust of the nonprofit sector generally. New policies and tax incentives are likely to be implemented only if governmental and public attitudes toward the role of philanthropy and civil society are also subject to change.

- *Promote accountability and transparency in the NGO sector:* State regulatory intervention provides a minimum threshold for philanthropic activity, but

is only a first step toward creating the environment needed if philanthropy is to grow significantly. In addition to government-mandated accountability requirements, philanthropic institutions, nonprofit organizations and civil society as a whole must become more transparent and self-regulating if increased public confidence and increased giving are to result. Strategies to promote philanthropy through greater accountability can include the following measures:²

- *Governments can promote transparency* among NGOs and private philanthropic institutions by requiring regular activity reports and audited financial statements, and through the enactment of laws to prohibit individual economic benefit from charity malfeasance.
- *In the nonprofit sector*, umbrella and membership organizations can develop mechanisms and standards that are acceptable to the NGO community, the government and the public. There have been recent successes in this area; associations and support organizations have developed codes of practice for grantmaking institutions as well as the NGO sector. Despite such successes, watchdog organizations are largely absent in most of the world.
- *Among NGOs themselves*, individual organizations can develop practices to advance their own transparency and act as a model for others by, for example, publishing annual reports that provide programmatic and financial information. However, in some environments, the public reporting of activities can make an organization vulnerable to additional scrutiny or sanctions.

4.2 Public Awareness Campaigns

Public-awareness campaigns have been used since the 1950s throughout the world, often in the areas of public health and environmental protection. The use of public-awareness campaigns targeted at philanthropy is relatively rare.

Significant programs targeting greater giving have been undertaken in Mexico and in the relatively homogeneous societies of Canada, the United Kingdom, and the United States. A relatively new program has been initiated in the Czech Republic.

Although the experience to date is somewhat limited and the potential ef-

2 For a more thorough discussion of institutional, sectoral, and governmental efforts to increase accountability, see Gaberman, W. Building the Global Infrastructure for Philanthropy. Ford Foundation.

fect is still largely unknown, several lessons—including some that are reinforced by experience with campaigns in other sectors—bear note:

- *Expectations should be realistic:* Even those who work face-to-face with other people and enjoy their trust know how difficult it is to change opinions. It is far more difficult to change public opinion through the mass media. The media’s power to change behavior—especially to do so quickly—is limited.
- *Goals and timelines must reflect the “long view”:* Changing human behavior is a slow process. Unfortunately, the time it takes a campaign to substantially increase charitable giving and volunteering can be substantially greater than funders expect.
- *Concrete action should be identified:* A message alone is typically not enough. Campaigns must provide or be tied to something more tangible and actionable. For instance, a campaign that simply educates a population on the health benefits of immunization is not sufficient; people need easy access to the immunizations, and information on where to obtain them.³ In campaigns for philanthropy, follow-through may be particularly important.
- *Media efforts are most effective when integrated with other strategies:* As but one example, effective campaigns in the health sector have often included complementary educational and motivational materials, for example, posters, leaflets, and T-shirts. More importantly, most effective campaigns include face-to-face interaction that reinforces the media-delivered message.
- *Civil society generally must be recruited to support a campaign:* Though a media program may change attitudes about giving, additional giving requires a specific “ask”—individuals need to be asked directly to give to a specific cause or institution. Thus, the NGO community must be primed to capitalize on a public-awareness campaign.

4.3 Donor Leadership

So-called “donor leaders” can do much to promote philanthropy awareness, knowledge and engagement. As noted in the examples below, they can be models, advocates, conveners, mentors, and standard-setters. Though cultural norms and individual personalities will guide specific roles and strategies, a number of direct and indirect approaches are worthy of consideration.

- *Encourage donors to be open and transparent in their giving:* There are excellent reasons for at least some anonymity in giving, ranging from cultural

3 Smith, W. Social Marketing Lite. *Academy News*, Academy for Educational Development. Spring 1999.

and religious norms to individual safety and security. But where appropriate, donors should be encouraged to give publicly. Such openness affirms the value of social investing, demonstrates the effect of giving, and attracts the attention of other potential donors and the media. For example, in the United States, the well-publicized giving of entrepreneurs such as Bill Gates and George Soros has helped spawn a new generation of young donors.

- *Engage respected donors as speakers, conveners, and public advocates:* Around the globe, there are good examples of public leadership in giving. e.g., in Mexico, Manuel Arango, the founder of CEMEFI, and in Switzerland, Stephan Schmidheiny, founder of the Avina Foundation. There are numerous potential outlets for such outreach, including industrial groups, chambers of commerce, and philanthropic and civil-society meetings.
- *Engage a subset of these leaders to contribute to the development of other promotional strategies and activities:* Donors who believe passionately in both the need for and the ability of private citizens to contribute to a better society may be willing to put time and effort into helping develop new ways to encourage such investment.
- *Publicize the philanthropy of donor leaders:* The model of donor leaders can also be leveraged through relatively passive means, such as by engaging the media to report on the nature and effect of their giving. For example, in Taiwan, the Himalaya Foundation has begun creating a directory of philanthropic leaders and institutions, which in turn has raised the profile of philanthropy in the country.

While the norms and traditions of the country or culture in question will of course have a significant effect on the willingness of donors to become active proponents of philanthropy, in most societies there exist culturally appropriate ways to do so. But in fairness, it is important also to acknowledge the potential risks associated with leader engagement. For instance, some “donor leaders” will be inevitably and inextricably linked to political agendas. By way of example, Mexico’s Vamos Foundation, founded by Mexico’s first lady, has been accused of contributing to organizations that will further her political career and that of her husband. In addition, in some countries, the new philanthropy has shunned controversial issues such as human rights, HIV/AIDS, and the plight of minorities. In countries where philanthropy is currently limited, such philanthropic leadership can severely skew the market for philanthropy, as other donors follow the risk-free giving models of donor-leaders.

4.4 Donor Education

“Donor education”—or, perhaps better, “donor learning”—describes a wide range of efforts intended to help donors learn to give, or to give more strategically. Depending on the program, donor-learning initiatives can offer structured educational content, opportunity for peer engagement, and a venue for exploring philanthropy in a safe, neutral space, free from solicitation and institutional “agendas.”

The opportunities for donor learning have multiplied in the past decade, with most growth occurring in the United States and United Kingdom. In addition, most donor-education initiatives to date have focused on institutional donors such as family, private and corporate foundations.

- *General observations about donor learning:* Donors bring to the world of giving a wide range of experiences, personalities, perspectives and influences. They reflect enormous diversity in knowledge, interests and learning styles. Thus there is no one, correct or effective approach to donor education: the audience, content, providers and format of donor-educational programs will differ greatly, driven by the needs of the particular audience.⁴
- *Audiences:* Educational programs can target a variety of audiences. Some programs respond to a “wholesale” market, providing donor-learning programs for large audiences in such venues as philanthropic conferences. Other educational offerings—often viewed as more effective—take a “retail” approach, providing more tailored programs for specific constituencies. Audiences for these “boutique” offerings can include families, the newly wealthy, and small corporate groups.
- *Content:* In general, content can be sorted into “baskets” that include philanthropic motivations (e.g., values, interests, goals and passions), philanthropic practices (e.g., effective strategies, processes), operational issues (e.g., governance, staffing), and issue-specific knowledge. Since content

4 Two recent reports from the United States examine efforts at donor education there and may provide useful information for others interested in promoting philanthropy through donor education. In addition to exploring what is *available* by way of donor education in the United States, perhaps even more valuable is the focus on “gaps”—instances in which there is a substantial disconnect between (1) donor-learning needs and (2) available curricula and education programs. *What’s a Donor to Do* (The Philanthropic Initiative, Boston, Mass.), surveys the landscape of donor learning in the United States and observes that while the quantity and variety of “donor resources” in the United States is increasing, their availability is often random and ad hoc. A more recent report, *Philanthropy’s Forgotten Resource? Engaging the Individual Donor* (New Visions, Mill Valley, Cal.), assesses donor-education programs in the United States and lists several best practices in donor education.

- can be expensive to develop, most teaching and learning materials are custom-designed and created by the education provider.⁵
- *Providers:* Key providers include community foundations, resource organizations such as regional associations of grantmakers, and private philanthropy advisers. Other providers can include legal and professional advisers (see section following) and business groups and networks. In addition, there is a strong trend toward combining and connecting philanthropic education and giving programs. Such initiatives often include peer engagement, education, and pooled giving. They can be particularly powerful in promoting philanthropy.
 - *Format:* Donor education comes in all shapes and sizes. In addition to small group workshops, less hands-on donor learning can be provided through speaker series, monographs and newsletters. In addition, there are a few comprehensive training workshops such as the workshop offered by the Rockefeller Foundation’s Philanthropy Workshop, and the newly established Rockefeller/Bertelsmann educational initiative in Europe.
 - *Funding:* Many providers have noted a pronounced reluctance among many donors to pay the full cost for such education. The new visions report below indicates that donor education is being widely subsidized by the organizations providing the education, or through foundational funding.

4.5 Professional Advisers

Professional advisers—private bankers, estate and financial planners, investment professionals, and insurance advisers—can have enormous influence on the ways in which individuals, families, and businesses perceive and practice charitable giving. Consequently, how advisers see their own role in their clients’ philanthropic objectives has a direct influence on their clients’ philanthropic giving, and ultimately on the amount of charitable capital in service to society. In addition, advisers are often well-positioned to uncover the “hidden” philanthropic potential of a community (i.e., those individuals of means who are not yet philanthropically active).

Fairly recently, organizations working to promote philanthropy have

5 See *Philanthropy’s Forgotten Resource*, which reports that 85 percent of donor-education providers said they would like to see the national development of donor-education resources.

sought to engage advisers, the goal being to increase charitable giving in society. Such efforts have included the development of education and training for advisers, the design of tools and materials to be used with donors, and opportunities for advisers to engage directly with individuals and institutions in the philanthropic sector. Community foundations and professional advisers in the United States are beginning to recognize the synergy between their missions and are discovering ways to work together to promote philanthropy. Community foundations can provide advisers with knowledge on community needs and specific philanthropic investment opportunities; advisers, in turn, can promote the community foundation's social investment expertise and activities in a community.

4.6 Place-based Philanthropy: The Community Foundation Movement

Of all promotional strategies, the creation of community foundations is almost certainly the most widely employed. Though much has been made of the differences among community foundations, in the main they are probably more similar than different. The basic model is a foundation that seeks charitable gifts from a broad base of donors that includes individuals, businesses and sometimes government agencies, and uses those gifts to address local and or regional needs.

Today, in addition to the 700 active community foundations in the United States, there are more than 365 community foundations in 37 countries. Especially notable is the German experience, where, with leadership from the Bertelsmann Stiftung, the number of community foundations in the country has grown from three in 1997 to at least 50 today.

Though the number of community foundations is impressive, it is difficult to analyze the model's influence on philanthropic growth. Among the reasons:

First, *success stories* are in short supply. There is very little information or research that illuminates community foundations' popularity with donors, their resource levels, or their influence in their communities.

Second, *failure rates* and the reasons behind such failures are not well understood. It is hard to know when and where the concept has been tried and failed. For example, the Ford Foundation tried unsuccessfully to introduce the model into the southern countries of Latin America.

Third, it is still too soon to know the *staying power* of community foundations. Most foundations are less than 10 years old. Many were established in

large part with outside funds and guidance. It is simply not known how many will ultimately survive once external funding and support are withdrawn.

Fourth, most evaluation approaches the question of “success” from a *Western model* of the community foundation. While many foundations have not achieved targets for local philanthropic contributions, some have begun promising developmental work and may play increasingly important roles, for example as partners with aid agencies.

The research that does exist has failed to illuminate why some community foundations succeed more readily than others. However, among the possible explanations are the following:

- *Foundation agenda*: Most community foundations would acknowledge that their central mission—improving the quality of life in a particular geographical area—is directly tied to their ability to carry out a secondary mission: to promote philanthropy among local donors. Yet the balance between these objectives varies enormously from foundation to foundation. Many community foundations view themselves principally as community-development organizations, pooling resources for a defined community agenda. Such organizations tend to offer relatively little flexibility in addressing individual donor interests and provide a fairly limited range of individual donor services. At the opposite end of the spectrum are community foundations that put much greater emphasis on donor interests and agendas. Such organizations often provide multiple giving mechanisms, individualized advisory services, and resources and educational opportunities through which donors can develop personal philanthropic interests and practices. Such differences in philosophy and approach can have strong influences on a foundation’s ability to raise funds.
- *Funding base*: Though many community foundations have been established with outside resources, others have chosen to rely almost exclusively on local funding. Growth in the latter case is often slower, but such an approach may lead to the foundation’s more quickly enjoying a sense of local ownership. Even when the support is primarily local, community foundations receive funds from a range of sources—private, corporate and state—often reflecting the historical and political context in which they were created.
- *Endowments*: Many community foundations build a permanent resource for the community through the creation of an endowment, while other foundations quickly re-grant almost all funds received. Endowments, considered savings for the future, can be difficult to justify in countries where immediate needs are great. Additionally, in countries where there is a persistent suspicion of civil society, endowments are sometimes perceived

more as a “money shelter” than a charitable benefit for the community. However, for a community foundation to have any hope of serving as a long-lived community resource, an endowment is essential.

4.7 Peer-based Philanthropy: Collective Giving⁶

In contrast to “place-based” or community philanthropy, the *raison d’être* of “peer-based” philanthropy is a shared sense of identity or solidarity among individual donors. Very broadly, peer-based philanthropy refers to any group of individual donors, united by a common identity, that join together and pool philanthropic resources around a common interest, issue or organization.

Globally, such groups show much variation in size, structure and strategy. They can, for instance, be small and informal and provide modest levels of funding, perhaps strengthened by gifts of time and energy. They can also be highly structured entities with professional staff, bylaws, and significant financial resources. Peer-based philanthropy can appeal to individuals who share a shared sense of identity and culture, a common set of concerns and interests, opportunities for joint learning and networking, and the potential for philanthropic leverage.

The popularity of peer-based philanthropy in the United States has grown enormously in the last decade. A recent survey identified more than 200 such groups—often referred to as “giving circles”—representing more than 5,000 donors that had provided more than \$23 million to nonprofit organizations in the last two years.⁷ They include the following:

- *Women’s funds*: One of the most noticeable developments in women’s philanthropy is the rapid growth of women’s giving circles, also called “women’s funds.” While many women’s funds focus on programs supporting women and girls, others focus on broader causes. Some women’s funds require only a modest financial commitment but rely on donor pledges of time to help support and strengthen grantee organizations. In addition, many women’s circles try to build the confidence of their members, both as donors and as agents of social change.
- *Youth philanthropy*: Efforts to promote youth philanthropy have been common in recent years. Such initiatives are often fueled by the belief that

6 This section on peer-based giving draws heavily from a companion paper prepared for this volume: Johnson, P., and Johnson, S. *Tools for Good: A Guide to Vehicles for Philanthropy and Charitable Giving*. September 2004.

7 *Giving Together: Summary of Findings*. *New Ventures in Philanthropy* (unpublished).

- (1) philanthropy's effect on society can be strengthened by providing opportunities for young voices, and (2) early participation in giving will help create long-term involvement in civil society and philanthropy. Giving circles have become a popular model for engaging young persons, many of whom are interested in learning about philanthropy while making a contribution to society, in the company of their peers.
- *Business peer groups*: Around the globe, business leaders and corporations are joining together to pool philanthropic resources to address community challenges. Such giving presents obvious opportunities for leverage. They also help to distance philanthropic giving from the private benefit of individual corporations.
 - *Ethnic and tribal associations*: The “hometown association” is a particularly powerful form of association in Africa, Asia and Latin America. It is often based as much on ethnic or tribal identity as on community origin. In cities such as Lagos, Mexico City and Nairobi, members of the same ethnic or tribal group living outside their home community come together to exchange news, discuss politics and, often, to raise money for activities ranging from social services to village infrastructure projects. Some tribal associations in Africa focus on raising funds to help transfer the dead back to their ancestral homes.
 - *Venture philanthropy*: A relatively new but rapidly growing trend in giving circles is the engagement of peers with a common approach to philanthropic investment. The concept of venture philanthropy originated among business people who, after having achieved economic success in the private sector, were looking for ways to use not only their money but their business skills and expertise to address social issues and community needs. The original model was the vision of Paul Brainerd, founder and director of the Aldus Corporation in the state of Washington in the United States, and has become known by the name of the organization established to develop and support the approach—Social Venture Partners (SVP). The vision of SVP's founders was to build a philanthropic community using a model that paralleled venture-capital practices (hence its name). Fundamental principles include long-term, highly engaged investments of money, resources and business expertise to develop the capacity and sustainability of local nonprofits.
- Today, there are more than 23 SVP organizations in the United States. Recently, groups from several other countries—among them the United Kingdom and Italy—have expressed interest in establishing similar organizations.

4.8 Issue-Based Philanthropy: The Power of a Cause

Globally, efforts to encourage philanthropy by attracting donors to a particular issue are on the rise. In many cases, new organizations have been established to spearhead such efforts. In other instances, an existing organization will promote a specific cause.

Clearly there are many issues that can and do galvanize giving; common sense tells us that the most successful will be those that reflect local interests and concerns. Globally, three issues have proven to be particularly popular areas of focus: children at risk, the environment, and women's rights.

Developing philanthropic infrastructure is one of the principal strategies used to promote philanthropy. Much of the world's philanthropic infrastructure has been established since 1990. Several factors have contributed: (1) the emergence and massive expansion in the size and prominence of civil society in post-communist Central and Eastern Europe and post-apartheid South Africa; (2) the concurrent growth of the nonprofit sector in other countries, notably the United States, where the number of nonprofits doubled from 1980 to 2000; and (3) the growth in the number of charitable trusts and foundations, triggered by the fairly sudden emergence of new wealth.

- *Associations of donors and grantmakers:* Arguably, the most significant investment in infrastructure globally has been the creation of associations of grantmakers and donors. Such membership organizations seek to support giving through the promotion of best practices and the development of donor knowledge and giving skills. In addition, most associations share the additional mission of promoting philanthropy. Grantmaker associations now exist in over 60 countries, although many are still in their infancy. Well-established associations such as the Association of Charitable Foundations in the United Kingdom and the Council on Foundations in the United States have in recent years dramatically expanded their efforts to encourage and strengthen philanthropy, often through donor education, training and publications. Elsewhere, groups such as the Association of Foundations in the Philippines and Grupo de Fundaciones (GDF) in Argentina provide a range of services and programs to professionalize and promote philanthropy.
- *Peer networks:* Peer networks of philanthropic support organizations are also coming into being. For example, the Worldwide Initiative for Grantmaker Support (WINGS) is a global network of more than 100 membership associations and support organizations that have joined together to learn from, support and cooperate with one another. WINGS-CF is a similar network for community foundations.

- *Philanthropy promotion organizations*: National and regional organizations are being created to develop holistically and to develop institutions to encourage giving among specific constituencies.

Philanthropic “centers” encourage philanthropy and address obstacles to its growth through a variety of initiatives. Among the initiatives are advocating for an enabling legal and tax environment; building awareness of the importance of philanthropy; building the skills and knowledge of donors and potential donors; and addressing the needs of particular subgroups such as corporate foundations or diaspora philanthropists. Such centers often also work with the broader nonprofit sector to develop policies and practices to encourage philanthropy in such areas as transparency and accountability and effective fundraising.

5 The Way Forward

Even in the absence of systematic evaluation, there is little doubt that initiatives to promote philanthropy are having an effect. Despite this, global philanthropic capital remains limited, particularly in comparison to global wealth. For philanthropy to become a significant global force for good, more knowledge, new approaches and stronger commitments will be required.

In closing, several points bear mention, considerations that may help to encourage, guide and inform further research and future promotion efforts.

5.1 Considering the Bigger Picture

Although this paper focuses primarily on specific approaches and strategies to promote philanthropy, several significant factors should be taken into consideration in almost any effort to increase giving:

- *The role of civil society*: Although “global civil society” is often treated as a monolithic and homogeneous movement, the philosophy and practices of civil society differ widely. Any effort to promote philanthropy must respect the development of civil society. Local views on the legitimate role of civil society can limit the development of a philanthropic culture.
- *Cultural and regional differences*: Any strategy for change must be grounded in a solid understanding of and respect for local cultural norms. Promotional efforts must be consistent with the local history and culture, while also offering a positive agenda for change.
- *Strategic synergy*: Efforts to promote philanthropy almost always have the

greatest effect when strategies are used in combination. Gains will be limited unless challenges in the environment, cultural attitudes and donor resources are addressed in an integrated fashion.

5.2 Building the Knowledge Base

How to grow philanthropy is a question about which the knowledge is limited, though growing. Though research on philanthropic motivations, practices and influence does not directly promote giving, it is an important arrow in the quiver of promoting long-term philanthropy. Among the knowledge needs are the following:

- *Survey studies*: With few exceptions, there has been little systematic effort to capture the sources and volume of individual or institutional giving worldwide, or to classify its purposes. There are virtually no studies that track changes in giving over time.⁸
- *Qualitative analyses*: Additional qualitative knowledge would be helpful, particularly about philanthropic values, motivations and influence. The starting point of any philanthropic journey is personal motivation. The end-game is maximum influence. Existing research and investment has very often focused on philanthropy's "transfer mechanisms." Largely ignored have been the important "ends" of the philanthropic continuum.
- *Traditions of giving*: Our knowledge of the traditions and cultures of giving is very limited. Practices such as obligatory or reciprocal giving do not easily fit the common Western definition of philanthropy that promotes a broad public good. Yet these traditional practices are important and can be essential to the further development of philanthropy.

5.3 Expanding the Conversation

Many organizations worldwide are currently engaged in the promotion of philanthropy. Yet in many ways, the conversation remains narrow and the participants too few. Future efforts to grow philanthropy must engage more and broader constituencies, expand the base and push beyond known and tested strategies.

- *Multiple constituencies*: Efforts to promote philanthropy must acknowledge and engage the multiple constituencies that are both the shapers and

8 One notable exception is the APPC series "Giving and Fund Raising in Asia."

stakeholders of philanthropy's role in society. Such constituencies include the general public, wealthy persons, corporations, government and civil society generally. Many conversations about philanthropy today tend to engage constituencies horizontally, i.e., bringing together those in similar professions and peer groups. More vertical conversations that represent a range of constituent voices could generate powerful approaches to improving the quantity and quality of philanthropy.

- *The NGO sector*: This paper has focused predominantly on approaches that focus on philanthropy's supply side—donors and potential donors. Yet in many countries there is general agreement that one of the key obstacles to the growth of philanthropy is the public's attitude toward civil society generally. Efforts to promote philanthropy need to consider both sides of the philanthropic equation.
- *Wider philanthropic engagement*: Promotional efforts have too often targeted the very wealthy. The philanthropic potential of lower- and middle-income individuals has not been sufficiently explored or encouraged. The potential effect of many modest contributions is often more sustainable over time than a smaller number of larger gifts.⁹
- *New investment strategies*: Investment strategies to promote philanthropy are increasing. Still, in part because of the limited number of investors and the level of investment, they remain limited both in range and in scope. Promising ideas go unfunded and proven approaches are difficult to replicate. One example is diaspora philanthropy, which is an important source of philanthropic resources in many countries. But the application and suitability of existing diaspora giving models to other countries or ethnic groups have not been adequately explored.

This paper is but a beginning. We hope that those who share the common commitment to increasing global philanthropy will share their thoughts, additions, corrections and contributions with the authors, the INSP and the funders. In so doing, future research and perhaps even future editions of this paper will reflect the collective thinking of many minds and many experiences. This effort will succeed only if it is truly a shared compact, devoted to improving the common weal.

9 For example, Archbishop Rosales in Manila raised 13 million pesos from 300,000 donors to benefit the local community foundation.

Effective Foundation Boards—The Importance of Roles

Christine W. Letts

1 Introduction—The Importance of Roles in Effective Governance

Unlike boards of corporations or typical social-service nonprofit organizations, most foundation boards are as unrestricted in their flexibility as they are unfettered by accountability. If we want to create more effective foundations, we need to grapple more directly with the implications of this flexibility. This flexibility manifests itself particularly in the variety of roles that foundation board members can take.

First, flexibility affects accountability. Foundations come into existence when individuals set aside an amount of wealth for charitable purposes. Trusteeship begins with fulfilling the wishes of the benefactor. This means that foundation board members do not have to pass the accountability test presented either to trustees of a nonprofit or of a corporation. Because of the nature of foundation work, providing money to eager supplicants, they operate in an environment that suppresses feedback.

Second, flexibility affects organizational design. One of the few requirements imposed on all foundations is that they must have a board. A foundation board either has total freedom to establish the mission and activities of the foundation or wide latitude in interpreting a trust or mission left by the founder. Trustees also have the freedom to establish the structure, including whether to have staff or not. Board roles and behavior are affected in predictable and important ways by the different structures and types of foundations. Role differences are most pronounced in three types of foundations: those in which boards do all the work; those in which decision-making is divided between board and staff; and those in which the benefactor (in a private foundation) or a CEO (in a corporate foundation) is active and on the board.

Most of the literature in the field focuses on best practices in board structure and processes. The field has worked to develop guidelines for the operation of foundations and their governance. However, conversations with foun-

dation CEOs and trustees over the last four years¹ indicate to me that these guidelines are necessary but not sufficient. This “best practice” approach fails because it does not take into account the “flexibility factor” that challenges foundations. In this paper, I will argue that some of the chronic problems experienced by foundation boards could be solved if there were greater clarity about the roles that the board can play. Because foundations have far more latitude in how they define and do their work, the role of the board and of individual board members is far more problematic. Yet it is a problem largely overlooked.

In making a case for a focus on roles, I am not minimizing the significant challenge foundations have in meeting public expectations—either those explicitly mandated by law or those implicitly set by societal norms. The first obligation of any board of trustees is to know the law and establish compliance with it. In fact, the legal context in which a foundation operates is likely to establish roles, or put limits of some kind on them, for foundation trustees. Nothing in this paper is intended to replace, obscure or undermine this basic responsibility.

2 Moving toward Greater Board Effectiveness

Foundation CEOs and board members divide their problems into three categories:

Lack of clarity: A common problem is the lack of clarity about the roles of board members (which, if there is staff, encompasses a lack of clarity about the division of decision-making). Achieving clarity has two components. The first is the ability to articulate the intended role or roles for each foundation board member and the group as whole. The second component is ensuring that these roles are aligned with expectations of the board members and with staff, if there is one.

Lack of influence: Even when tasks are consistent with expectations, it may turn out that the board members do not believe that the work is important or that they have any significant influence over decisions that matter.

Responsibility for effect: Many foundation leaders agree that boards have accountability for two dimensions of performance: to do the right thing and to

1 Many of the quotes and examples in this paper come from the Executive Session on the Future of Philanthropy convened by the Hauser Center for Nonprofit Organizations, Harvard University from 1999–2002, and the International Network on Strategic Philanthropy sponsored by the Bertelsmann Stiftung from 2002–2004.

do it well. Doing the right thing may mean meeting social needs, usually articulated in the mission or adhering to donor intent, or both. The actual question to ask is whether the board is contributing to effectiveness. When a foundation publicizes a mission, and proclaims publicly about the influence and effectiveness of its programs, it should tell the truth and be able to defend its claims. Foundation trustees have the responsibility to examine the role they have in helping the foundation have an influence.

I offer two questions that can help a foundation board begin to diagnose its effectiveness:

- Is this board functioning to everyone's satisfaction? This question will help the board identify issues related to clarity and influence.
- Is the board operating in a way to enable the foundation to maximize its influence? This question helps the board understand its role and responsibility in ensuring that the foundation is creating value, and not simply following guidelines associated with its activities or output.

Achieving clarity, generating influence and assigning responsibility are three keys to more effective foundation governance. They can be better understood by examining the roles of foundation board members as individuals and collectively. In the following sections, I will identify the various roles that foundation board members play and discuss the problems that can accompany them.

2.1 Achieving Clarity and Influence

A pivotal question is this: Are board members informed givers or institutional trustees? For board members in foundations with no staff, they have the opportunity to be givers as well as trustees. Many staffed foundations turn to the corporate model for their governance design. As institutional trustees, they establish or interpret the mission, approve strategies and ensure that grant-making programs are consistent with the mission and strategy of the institution. However, the psychology of generosity tends to put boards in a peculiar position. They want to be involved in all the work, rather than maintain the distance of institutional trustees. Lack of clarity about these two fundamental roles is the source of much tension for staff and boards alike.

2.1.1 The Informed Giver Role

For foundations with little or no staff, it is clear that the board does the work. The work of the board may be divided horizontally or vertically. In the horizontal version, the work is assigned by function, with each board member participating in a part of the process to get the grant recommendations to the board. The whole board then makes final decisions on grants. In the vertical version, each board member performs all functions for a program area of grants. Final approval by the entire board is essentially perfunctory, as each board member accepts the other's recommendations. When board members play the role of informed giver, they feel good about making altruistic decisions and acting as appropriate stewards of the public trust.

However, problems arise when roles are defined that don't achieve an appropriate balance between these two ideals. Here are four symptoms that the board should be on the lookout for:

- *Mission drift*: When the work is divided vertically, with each board member managing his or her own portfolio from start to finish, it is difficult for the foundation to maintain a coherent mission. As each board member defers to the others' judgment without scrutiny or question, legal oversight responsibility assigned to all members may be shirked. The foundation may drift into a collection of individually motivated charities, without regard to strategy or influence.
- *Unfulfilling work*: I met a family member who complained about his role in the family foundation. The board had divided up the work among the members to "keep all of them involved." His responsibility was to open proposals and do a first screening for those that clearly did not meet the foundation's guidelines. Eventually, he preferred not to be involved in the foundation at all rather than have this job.
- *More work than expected*: Without staff, the work can expand beyond what many would consider appropriate volunteer time. Even if the trustees are compensated, the rate may not justify the amount of work. The hazard of too much work is that the work may be compressed to fit the time. Moreover, the pool of people willing to serve as trustees may shrink, jeopardizing the quality of decision-making.
- *Insularity and shirking institutional trusteeship*: Without staff, the routine work associated with the institutional trustee role, such as paying attention to industry standards or norms, may take a back seat to the board's full plate of grantmaking responsibilities. For example, there are few laws and few legal precedents that help foundation trustees set compensation for themselves. Staff is likely to be more tuned in to industrial norms. Ex-

cessive private benefit is an example of trustees abandoning their responsibility as institutional trustees.

Family members arrive on the board because of birth, not because they know anything about philanthropy, the cause, or the community. A pivotal question to be posed is, "Is the board's role in a family foundation an obligation or an opportunity?" There is a big difference between asking children to be trustees of the parent's legacy and giving them the opportunity to become philanthropists. Clarity about this is important. In this way then, the funder's intentions need to be aligned with the structure and processes developed for the board. Besides, board dynamics will inevitably change as family circumstances change. Family members marry, divorce, have children and pass away. There are many reasons that roles, responsibilities and relationships evolve, so it is important to structure processes to allow family boards to adapt.

Family boards frequently benefit from outsiders who can serve to mediate or mitigate familial conflict. These people are trusted friends or colleagues, and may be lawyers or investment advisers. The nature of the relationship usually sets the expectations about role, in that they understand that they are there as an aide to the principal decision maker, rather than as an institutional trustee, although they may bear the latter title legally. Roles of boards in corporate foundations may be similar to those in private foundations with a living donor because of the presence of the top executive to whom other executives or outsiders look for final decisions. The executive will usually wield informal if not formal leadership as a board chairman. So a normal role of members on a corporate foundation board is to assist the top executives in decision-making as advisers or experts, similar to the roles described above.

Among advisers, confusion over roles can result in several ways: First, the principal decision maker may not clarify roles at the beginning. Confusion over roles can also result when circumstances change, and board roles do not keep up with the evolution of the decision makers' interests. Finally, confusion will result when behavior is not consistent with stated intentions. Additionally, the role of advisers, like informed givers, also leads to imbalance. While advisers typically probably have satisfactory influence, the danger is that they may fall short in their institutional responsibilities.

Early clarity about this is important. Keeping advisers just that, and not making them board members, is one option. It is also possible to establish procedures that separate deliberation about grants from actual approvals. The key to thwarting the negative behavior we often attribute to board members too attached to giving may be to pay more attention to the roles that allow for many more ways in which trustees can exert an influence on the work.

2.1.2 The Role of the Institutional Trustee

Once boards hire staff, the challenge is to define the roles of the board and to divide the decision-making between the board and staff to allow sufficient influence for the board and clarity for the staff. There are six major areas of decision-making for a grantmaking foundation: mission, social change strategy, institutional design and culture, grantmaking strategy, grantee relationships and evaluation. Foundation boards have the flexibility to take on decision-making anywhere in the spectrum of the six areas. As the foundation world has become increasingly professional, foundation boards and staff have become more sophisticated in their decision-making, and they manage to avoid the problems associated with the lack of clarity about the division of responsibilities. However, many have not learned to avoid the pitfalls associated with the three common ways in which roles are divided: co-producers, grants approvers and policy-makers.

The co-producer role: Boards of staffed foundations can actually share the work with the staff. Board members participate in analysis, planning, engaging with grantees and monitoring of grant strategies. Here is the key: since this arrangement was the expectation from the beginning, it has become an easy and productive use of staff and board alike. This co-investment structure is facilitated by the foundation's concentrating on a few large areas for its grants.

- *Trainees:* Sometimes inexperienced trustees may be chosen for the board in a role in order to prepare them for future service. These trustees-in-training may end up with duties that involve them more in the work of the foundation as a learning experience.
- *Experts:* It is advantageous to invite program area experts to serve on a foundation board. Confusion, and perhaps contention, arises when it is not clear whether the expert is there to advise all with enough information to help the group make a decision, to advise, or even oversee staff, or whether he is there to be the primary decision maker. The original purpose might have been the adviser role, but groups can quickly fall into patterns of behavior, frequently just out of deference, where members give the final decision over to the expert.
- *Lack of clarity:* First, it is difficult to create a good working relationship where there is no redundancy in what the board and staff do. Second, board members may lose their ability to be objective stewards of resources and activities if they take part in creating those activities. Third, while they may be in a position to evaluate staff more closely, they may lose their ability to be objective about the staff.

The grants approver role: Many foundations maintain a rule, or tradition, of the board approving all grants. It can be done with sufficient knowledge and accountability to make it a “real” function that does not create excessive cost over value for the staff. Nevertheless, there are problems in role confusion and cost that can be associated with boards that approve grants. For example, the board of a large, staffed family foundation has settled on approving grants rather than policy-making. However, the board is not satisfied just to trust staff to present a docket for their approval. The board has developed many committees representing the program areas, and the staff is responsible for educating these committees about their program and grantmaking strategies. The challenge is to contain the redundancy and cost that could be associated with these processes that otherwise are highly valuable in creating opportunities for influence.

The policy-maker role: Many staffed foundations define the board’s responsibility at the mission and strategy end of the spectrum and turn to the corporate model for their governance design. The board is to establish or interpret the mission, approve strategies and ensure that the grantmaking programs are consistent with mission and strategy. In many cases, the board relies on the studies and recommendations from staff and consultants. It is clear that they approve strategy. Foundations that are primarily operating have boards that are charged with overseeing the management of operating entities. However, while there seems to be a clear division of responsibilities in a corporation between governance and management, there is neither clarity nor precedent for such a division in operating foundations. Operating foundations are just as likely to have operating trustees as governing trustees overseeing a strong and independent management team.

What are the appropriate divisions of responsibility that offer sufficient influence, yet avoid the problems cited for informed givers? A new study of effective governance, written by Richard Chait, William Ryan and Barbara Taylor describes two types of board roles at the policy end of the spectrum that add value.² The first is a board that behaves a little like a bumblebee buzzing around the CEO and encouraging vigilance, lest the CEO get stung by stepping out of line. The second role is more passive, but equally valuable. The board creates what the authors call “sense-making opportunities” for the staff. Simply by meeting and maintaining consistent and predictable processes for what may seem like routine approvals, the staff has a chance to regu-

2 Chait, Richard, Ryan, William, and Taylor, Barbara. *Governance as Leadership*, Board Source 2005.

larly take stock of what is happening, apply some critical thinking and prepare rationale for what they are doing or what should be changed.

What are the common problems associated with policy-maker roles?

- *Strategy as straightjacket*: Lucy Hays Nesbeda, granddaughter of Edna McConnell Clark and a trustee for years of the foundation of the same name, described a good process used there. The foundation had excellent staff with knowledge and experience in their fields. Board members were part of subgroups learning about the program areas in detail. However, in a social policy area, the political and economic environment could change dramatically within a few years, making the original assumptions underlying the program irrelevant. Accordingly, the need for detailed justification from staff and the usual focus on implementation serve to create a situation in which both staff and board can go on autopilot once policy is set. Another result of this situation is the ownership that the individual staff members have of certain plans and programs, which results in resistance to change.
- *High cost for questionable value*: Foundation CEOs described one set of problems with boards as value for investment. The board demands a huge amount of time, but doesn't seem to create equivalent value. "Most of our time is spent on donors and boards, making those decisions happen. I would like to spend more time on the mission, actually working with organizations and finding out better ways we can actually work with them."
- *Disengagement/Lack of interest*: Disengagement can result when the board plays only a policy-making role with too little meaningful work. This can threaten the ability of a board to be responsible in its duties. One CEO said, "Now, they're getting an awful lot of reporting from us, but given busy people ... I'm not entirely sure that they are really engaged with what we are giving them." Another set of family board members discovered that hiring competent staff to help them develop strategy and recommend grants ended up removing them too much from the interesting part of philanthropy.
- *Meddling*: Starved for influence, the board "acts out" by meddling in decision-making areas reserved for staff. The classic case is the board member who takes calls and requests from his own contacts and tries to push through grants for his favored organizations. Another form of meddling occurs when, despite a formal agreement to let staff handle grantmaking, board members still spend excessive time going over grants. It is a matter of inconsistency with expectations for the division of decision-making.
- *Inquisitorial behavior*: A program officer and trustee of a large private foundation described an era in which the board essentially operated as inquisi-

tors of the staff each quarter. The role had evolved into one of, “Let’s see whether we can catch the staff in mistakes.” The trustee described this behavior as one way that accountability might be demonstrated, and it served to help trustees feel as if they had influence. Both persons acknowledged that this created counter-productive behavior in the staff.

- *Amateurism*: The problems of amateurism may affect operating foundations more than grantmaking ones. First, trustees are rarely chosen from the same ranks as staff. Trustees who end up as the chief manager of a foundation division may have no previous experience in that area. These board members need to be dedicated to learning and catching up to staff and resist the temptation to start new initiatives just to put their own mark on the work. The latter problem can be particularly seductive in the absence of clear evaluation that helps the organization set priorities on the basis of data.
- *Problems of lifetime roles*: Tenure is another problem that particularly affects operating foundations. Automatic rotation or term limits may exacerbate the problem of the learning curve. At the moment when a trustee becomes knowledgeable enough to play his role effectively, he may be rotated off. On the other hand, the ability of a single individual to control the agenda for a part of the foundation can become extreme in an operating foundation where a trustee with long tenure manages the same division. To the extent that other trustees abdicate responsibility for the “whole” in deference to each managing trustee, the absence of external accountability coupled with long tenure creates the conditions for abuse.

2.2 Responsibility for Impact—The Accountability Role

In addition to establishing what the foundation is to do, the board should establish how the foundation should be held accountable. This includes their decision about how they intend to communicate with constituents and how they intend to evaluate the foundation’s work. Furthermore, the potential for lack of accountability deserves special attention in operating foundations. Operating foundation boards that adopt the traditional corporate structure are essentially putting themselves in the policy-making role explained above, but are also responsible for overseeing managers who are expected to produce certain results directly.

There are some types of programs in operating foundations that are easy to evaluate. However, in social-service areas, evaluation may even be more challenging than it is for grantmaking foundations. It is difficult to get objec-

tive and honest feedback from partners or communities that benefit from the foundation's activities. These phenomena make it difficult for governing boards to be sure that they are fulfilling their responsibility. Further, formal outcome evaluations may be ill-suited to the needs of an operating foundation that is inclined to revise its approach as conditions change.

A staff manager said, "When our chairman discovered that a systematic approach to evaluation could also put limits or judgments on his own discretion, this was a clear challenge to the decision-making authority of the board. It turned out that the board chose a rather entrepreneurial option, saying 'we take entrepreneurial action and work for accountable and responsible management on a continuing level'."

Public foundations, such as community foundations, and foundations formed through some process of public rule, such as the health conversion foundations in the United States, usually have a unique set of governance role clarity and accountability challenges. Most community foundations have charters that allow different elected bodies or individuals to appoint trustees. They frequently have term limits. The combination of these two phenomena can cause up to 50 percent turnover in trustees in some institutions in just a few years.

This turnover creates several problems. First, it increases the problem of amateurism. Trustees may end up on the board because of political connections, prestige in the community or as executives-in-training. None of these attributes equips the individuals for philanthropy or even community involvement, nor do they necessarily equip the individuals to relate to each other as a group. Second, it increases the institution's reliance on the staff. The staff maintains the continuity and the trustees must rely on the staff for most of the information. With this lesser opportunity for influence, and disparate community connections, the temptation to meddle is great.

Many foundations in Europe have a state representative by law, such as the Italian bank foundations established in the mid-1990s. These individuals could be appropriate agents of accountability, but for what? Lack of clarity in public foundations revolves around mission and the role of trustees. How much freedom should the trustees have to craft the mission? How much should the community be able to contribute to this decision? Are the trustees representatives of their respective whole? The charters of the foundation rarely answer these questions, which are frequently the subject of an "invisible deal," which can evolve and change over time. Great opportunities may be lost, as these groups of add fellows agree on many small, nice grants, but may not be able to agree on initiatives that have the chance to change conditions in the community.

Even foundations that do not have official public charters can end up with public expectations that can overwhelm the foundation's flexibility and independence. The Gulbenkian Foundation of Lisbon, Portugal, attempted to transfer the orchestra that it operated to the state. The community believed that the state would not be able to maintain the quality that the company had developed under foundation management. Under this pressure, the trustees decided to keep the orchestra.

Foundations in the United States end up with similar public expectations and pressures. Boards that listen to the advocates who encourage them to be accountable through communication and transparency could face the public scrutiny and pressures similar to those faced in the examples above. It is no wonder that many boards choose the maximum anonymity that the law allows and that annual reports end up as public-relations tools rather than detailed explanations of intentions and results. The board should explicitly decide to whom they are accountable, and for what. They then need to decide how they will check on whether they are fulfilling their aspirations.

Once roles are set, the board should establish periodic reviews to ensure that the set of policies and practices as implemented meets their intent and expectations. Moreover, are the policies and practices aligned with each other? The areas in which foundations work are dynamic. Establishing a regular time and process to check in on this question sets the board up to be adaptive to the changing needs of the environment and staff and board individuals. Additionally, as foundations grow and evolve, the responsibilities of their boards will change. Tension will inevitably result if the organization does not recognize the evolution and the board processes and structure do not adapt to the changing needs of the community, organization and staff.

3 Conclusion

The foundation field is beginning to focus on the behavior and processes of foundation boards. The nature of philanthropy—generosity—and the flexibility that is a feature of foundation structure demand that we consider as legitimate many more roles than are typically considered in the literature. By focusing on roles, we will improve the work of foundation boards and their results.

Theories of Social Change: Background Paper

Diana Leat

1 Introduction

The aim of this paper is to lay out theories, models and applications of societal, organizational and institutional, and individual and group change. Given that most change encouraged by foundations takes place in or via organizations, it was agreed that organizational change and implementation would be the main focus of the paper. We are also concerned not primarily with theories of how change happens “naturally,” but rather with how foundations can “engineer” or intervene to make change happen.

The goal is to enable foundations to think more clearly about their assumptions and to make more informed choices. The sort of tool we have in mind would identify these key questions for foundations: What do we want to achieve? What is the nature of the problem we want to address or change? Who or what needs to change? In what ways? How could we achieve that change? What assets do we have to apply to that? What externally or internally imposed constraints are we operating under?

In section 2, we briefly outline key perspectives on change at the individual, group, organizational, institutional and societal levels. In section 3, we look at approaches to planned change, from identification of the problem through implementation of the program. Section 4 considers approaches to change via policy influence.

2 Broad Theories of Change

2.1 Theories of Societal Change

Factors in societal change may be summarized under three main headings: economic, political and cultural. Marx is perhaps the most famous proponent of the notion that societies and forms of social organization are largely deter-

mined by economic factors, and in particular the influence of industrial capitalism. Among political influences, the state now plays a large role in industrial societies. Cultural influences clearly play an important part in social change. For example, secularization and the development of science have had major effects on the way in which we think, particularly in our attitudes to legitimacy and authority. They have thus also influenced social structures, systems and values (Giddens and Duneier 2000).

If these are the key factors in societal change, foundations wanting to effect change at this level need to focus on changing economic, political and cultural structures and processes. This macro approach to social change has been adopted by some international foundations aiming to change economic and political conditions. These fundamental themes of resources, power, politics and cultural factors reappear, in a sense, in theories of organizational change.

2.2 Theories of Organizational Change

Very broadly, there are four main approaches to organizations and organizational change: classical and early modernist, modernist, symbolic-interpretive and postmodern. Classical and early modernist theorists are more concerned with stability than change. Early modernists see change as planned, with a change agent introducing change in a deliberate way. In contrast, for the modernists, organizational change stems from changes in the environment and is outside the organization's direct control. More recently, population ecology, organizational life-cycle and learning-organization theories have seen organizations as not just adapting to external pressures but creating their own internal dynamics.

Symbolic-interpretive theories of organizational change are essentially dynamic because the processes of social construction are seen as both reproducing existing structures and leading to their alteration. The postmodern approach explores the paradox of stability and change in organizations. Post-modernist theory sees planned organizational change as rhetoric and change processes as discourse. Both theories reject the notion of the organization as some sort of definable, discrete entity, focusing instead on organizing as a dynamic process.

Depending on which approach to organizational change is adopted, a foundation wanting to effect change at this level would need to recruit top management or consultants to introduce change from within; attempt to change the organization via changes in its environment; encourage change

from within by creating learning organizations; change the rhetoric and discourse of the organization or management.

2.3 Theories of Individual and Group Change

The themes of organizational change have parallels in theories of individual and group change. According to Backer (2001), behavior is more likely to change if the following conditions exist: the person forms a strong positive intention, or makes a commitment, to perform the behavior; there are no environmental constraints that make it impossible for the behavior to occur; the person possesses the skills necessary to perform the behavior; the person perceives that the advantages of performing the behavior outweigh the disadvantages; the person perceives more normative pressure to perform the behavior than not to perform it; the person believes that performance of the behavior is more consistent than inconsistent with his or her self-image or that it does not violate his personal standards; the person's emotional response to performing the behavior is more positive than negative; and the person perceives that he or she has the ability to perform the behavior under a number of different circumstances (Backer 2001).

Foundations wanting to encourage change at this level might work to reduce environmental constraints on changing particular forms of behavior or try to alter the advantage/disadvantage calculus by attempting to strengthen normative pressures.

2.4 Theories of Social Movement

It is worth highlighting an approach to economic, cultural and political change that stresses the role of individuals and groups in organizing and effecting social change. Groups can attempt to encourage or discourage social change via social movements.

The conditions under which social movements occur have been the subject a long and vigorous debate. Marx believed that social movements and revolutions occur as a result of the contradictions or irresolvable tension in societies, in particular related to economic changes. But contrary to Marx's expectations, revolutions did not occur in all advanced industrial societies. This led Davies (1962) to theorize that social-protest movements are more likely to occur not when people are in dire poverty but when there is some improvement in their living conditions and their expectations start to rise. The spark is not

deprivation so much as relative deprivation. But Tilly (1978) pointed out that Davies' theory does not explain how and why different groups mobilize to achieve change. Tilly distinguishes four components of collective action: the organization, mobilization of resources, common interests and opportunity. Collective action is a means of mobilizing group resources when people have no institutionalized means of making their voices heard, or when their voices are repressed by a government.

Smelser (1963) identified the following conditions for the development of social movements: structural conduciveness; structural strain; spread of generalized beliefs and suggested ways of remedying them; precipitating factors—trigger factors. These four conditions do not lead to development of social movements unless there is leadership, a means of regular communication, funding and material resources. The way in which a social movement develops is strongly influenced by the operation of social control.

Touraine's (1977, 1981) analysis differs from Smelser's principally in allowing that social movements may develop spontaneously to achieve desired social changes rather than being responses to situations. His ideas include historicity (there are more social movements today because people know that social activism can be used to achieve change); rational objectives and strategies regarding how injustices can be overcome; and interaction in the shaping of social movements (movements develop in deliberate antagonism with established organizations and with rival social movements). He emphasizes the way in which social movements occur in the context of fields of action, that is, the connections between a social movement and the forces or influences against it.

Foundations adopting a social movement approach to achieving societal change would obviously work to foster the development of (selected) social movements. How exactly a foundation might do this depends in large part on the particular theory of social movements it favors. For example, Smelser's theory would suggest a focus on promoting leadership, means of communication, funding and material resources. Touraine's theory could suggest a focus on promoting the idea of social activism and interactions between social movements.

3 Steps toward Achieving Sustainable Change

3.1 Working Step by Step

3.1.1 *Step 1: Defining the Problem*

The theory of the problem is significant for two main reasons. First, it helps explain why some issues get onto the foundation, and the public policy, agenda. Second, the way in which the problem is defined and its causal story will in effect highlight some people, groups or institutions and disregard others, or treat them as insignificant.

Problems are socially or politically constructed. The key questions then, are by what processes are problems defined? What are the generic elements of problem definition? How are some problems chosen to be on the political agenda while others remain obscure or invisible? What effect does problem definition have on subsequent stages of the policy process? Rochefort and Cobb (1994) try to capture the key elements of problem definition: casualty, severity, incidence, novelty, proximity, crisis, problem populations, instrumental vs. expressive orientation, and solutions. These factors in problem definition may also be used as a guide to encouraging the definition of some condition as a problem.

3.1.2 *Step 2: Formulating a Theory of the Desired Outcome*

This involves identifying a social outcome that is preferable to the current condition, including what the outcome would look like in practice, and identifying social actors who have some control over behavior related to the preferred outcome. Note that any intervention has to be based on a theory that balances the given control between different actors in such a way that the occurrence of the expected result will be most likely.

3.1.3 *Step 3: Formulating a Theory of Intervention*

The theory of intervention lays out the plan for exercising influence. Ideally it specifies the agents (who should intervene), the target (whose actions are to be changed), the mechanism (how to intervene) and the time and place (when and where an intervention takes place). Identifying the agents of intervention can be difficult for foundations and governments. Agents of intervention are

assumed to have the power and the resources to intervene. In reality, the choice of such agents may be limited, not least by existing structures and distribution of power and resources.

Selection of targets—those whose actions are to be changed—also presents problems.

When targets are powerful, numerous and very different from one another, it is likely to be more difficult to find a way of getting all of them to change, and the costs are likely to be higher than when the targets are small in number, homogeneous, or both. Moreover, if the target actors themselves have little control over their behavior, developing an effective theory of intervention may also be difficult. In some cases, for example, it may be necessary to target or change structures and practices before it is possible to change the behavior of an individual or group.

Foundations need to devise theories of intervention in full awareness not just of their own past, present and future actions, but also those past, present and future interventions by others, including government, business and other foundations. They need to be aware of competing and complementary influences from everywhere and, crucially, they need to attempt to overcome the potential effects of intervention fatigue, in which participants in the process come to regard every intervention as just another passing fad of little consequence.

The theory of intervention also needs to specify the mechanisms or tools for changing behavior in line with the desired outcome. The choice of tools will depend in part on the theory of the problem and the desired outcome, the agencies and the targets, as well as the assumptions about how organizations work and respond to implement or block planned change. Foundations and other policy-makers are, of course, constrained by the tools available to them. We discuss intervention tools in more detail below.

3.1.4 Step 4: Designing Effective Interventions: Theories of Program Implementation

If foundations are to design effective interventions, they need to be aware of the often large gap between theories of intervention and implementation in practice. To begin with, Hogwood and Gunn (1984) argue that for successful implementation of policy the rational model requires no insurmountable external constraints; adequate time and sufficient resources; required combinations; valid theory; good design (especially cause-and-effect relationships); causal connections that are reasonable, clear and direct; minimal dependency

relationships; agreed objectives; correct sequence of tasks; clear communication and understanding; and compliance.

Similarly, Hood (1983) suggests that the dominant rational model of policy and administration assumes that the administrative system is unitary with a single line of authority, that objectives are given, clear, uniform and known to all, that implementation requires perfect obedience or perfect control, that ideally there is perfect information and communication with all tasks unambiguously specified and precisely coordinated, and that there are adequate time and resources to fulfill conditions and objectives.

Sabatier and Mazmanian (1981: 21–22) pick up many of the same variables but incorporate some system-level considerations. In sum, the chances of successful implementation are maximized if the statute stipulates unambiguous objectives; if implementation is assigned to sympathetic agencies who give it high priority; if the number of veto points is minimized and sufficient incentives are provided to overcome resistance among recalcitrant officials; if sufficient financial resources are available to conduct the technical analysis and process individual cases; and if the constituent groups can intervene actively in the process to supplement the agency's resources and to counter resistance from target groups.

Looking at implementation at the level of the organization, there are four basic organizational models for the implementation of a social program.

- *Implementation as systems management*: This model assumes that the success of the program can be achieved with good management. Lack of clear lines of authority and little control are likely to be problems for grant-making foundations that work through independent organizations with other accountabilities. Maximizing control over implementation is one reason some foundations prefer to operate programs themselves rather than make grants to others to do so.
- *Implementation as bureaucratic process*: Foundations adopting this model would have to pay particular attention to the existing coping mechanisms of those required to implement the program, and the obstacles to change these may create. Again, this is likely to be a particular problem for grant-making foundations, because of their distance and lack of control.
- *Implementation as organizational development*: This approach raises questions about grantmaking foundations' application processes. If foundations were operating with this or the previous model of implementation, they would pay much more attention to the proposal process and information required to the "bottom" of the organization rather than the top. Similar considerations would apply in the management of operating foundations.

- *Implementation as conflict and bargaining*: Operating foundations need to be aware of the bargaining that goes on within the organization and with others with whom it works to implement change programs. A grant-making foundation needs to be aware of both its own relationships with grantees as well as relationships within the grantee organization and with others with whom the grantee organization does, or does not, work.

These four approaches are not necessarily alternatives. They may help foundations understand why initiatives may fail, as well as helping them to design their structures, processes and relationships in ways more likely to achieve effective implementation.

3.2 Tools for Intervention and Change

Attempts to classify policy instruments or tools have a long history. Hood (1983) identifies four broad groups of “power tools” available to government, ranked strong to weak as follows¹⁰:

- *Effectors* (for producing changes in culture or behavior): direct government provision; government-owned corporations; regulation, permission, prohibition; rights and systems of redress; contract purchasing; loan guarantees; grants-in-aid, matching grants; tax expenditures; information delivery; persuasion*; propaganda example, demonstration projects, education, training*.
- *Collectors* (for obtaining money and other resources): Taxation, direct and indirect; levies; service fees and charges; appeals*.
- *Detectors* (for acquiring information): requisition; inspection; purchasing or barter*; appeals (including rewards for information)*.
- *Selectors* (for managing, selecting, analyzing, presenting information): audit*; cost-benefit analysis; performance indicators and measurement*; cost measurement, resource budgeting*; management review*; scenario-building, risk assessment*.

A different way of looking at tools for change is in terms of authority, incentives and ideas. Authority is defined as permission from the target individuals to the authority figure to make decisions for them for some category of acts.

10 Only those marked with a star seem likely to be available to foundations, and even those may only be powerful under certain circumstances. However, all of the other tools may be of indirect use to foundations.

Foundations have very little direct authority, but they may be able to operate in the context within which authority is exercised. They may also be able to work on or with those who have authority. Incentives are defined as the direct or indirect use of sanctions or inducements to alter the calculus of costs and benefits associated with given behavior for the target individuals. Identification and removal of disincentives can be a powerful tool in overcoming obstacles to change. Incentives, especially financial incentives, are more obviously available to foundations.

Ideas are used to try to persuade target actors to change their behavior by trying to change what they think. The key question is how this instrument can make a difference in the mix of competing constraints and influences that shape the behavior that policy-makers seek to influence. Ideas are another category of key change tools available to foundations. However, even knowledge via demonstration projects plus active dissemination may not be sufficient to achieve change.

First, facts rarely speak for themselves; they have to be interpreted. Second, knowledge alone will not overcome obstacles to change. Some argue that those required to change need to “own” the problem and want to change; others maintain that even ownership and commitment may be insufficient without positive incentives, removal of disincentives, and sometimes penalties for lack of change.

Resources are one often powerful incentive to change, just as lack of resources can be a powerful disincentive. Again, however, it is vital to identify the right targets. Focusing change efforts, via incentives and penalties, at the individual or group level is unlikely to be effective if the organization continues to encourage and reward other practices. Few foundations have the resources or staying power directly to achieve major sustainable change beyond the group or individual level. Thus some foundations with such aims attempt to achieve change via influence over public policy. In what follows, we look at theories of policy-making and, picking up an earlier discussion, how issues get onto the public-policy agenda.

4 Approaches to Change via Policy Influence

In many countries, there are legal limitations restricting foundations’ attempts to influence public policy. The extent to which legal limitations constrain influence on policy and implementation depends in part on how the policy-making process is seen.

4.1 Rational and Political Theories of Policy-making

The dominant approach to policy-making sees it as a rational process based on a series of steps from problem formulation and evaluation of alternatives to policy implementation. The rational model sees the policy system as having clear boundaries; people identified as policy-makers make policy. An alternative model sees policy-making as an essentially political process in which the interests and perceptions of actors enter at all stages. Policy-making involves negotiating within the organization and with a variety of others whose co-operation may be necessary for the successful implementation of the policy.

Whereas the rational model of policy-making assumes that policy-makers have clear objectives, the political/bargaining process approach suggests that governments rarely have clearly defined objectives. Furthermore, the rational model assumes that necessary and sufficient information is available to the decision maker. In reality, however, information is often not available. In addition, information may be seen as a resource to be used and manipulated. According to the political-process approach, too much information may be an embarrassment because the system needs ambiguity if bargains are to be negotiated. Besides, the rational model assumes that choices between competing objectives can be made on the basis of accurate knowledge.

However, people who have the direct first-hand knowledge of problems don't have the power to make decisions. In contrast, political-process theorists argue that most choices are political, not rational. Such choices are made through bargaining and trade-off. Information is useful, but only if it accords with some strong interest in the decision-making arena.

Even if policy-making were a rational process, Hood and others argue that rational implementation systems do not and could not exist. There are limited resources, ambiguous objectives, internal and external organizational competition, as well as political limits (Minogue 1997). Moreover, it could be argued that the time scale required for the construction and operation of major policy is so great that it is highly likely that the problem to be addressed has already changed—and policies are likely to have unintended consequences. Taken together, if policy-making is seen as something done by politicians, foundation influence may be more constrained. If policy is viewed as a bargained outcome of the interactions of a wide range of actors and factors, then the space for foundations to operate may be greater.

4.2 Rethinking the Policy Process

Kingdon (1995) portrays the policy process as involving three largely independent streams: problems, politics and policies. The problem stream concerns how and why states of affairs come to be considered problematic and involves factors such as the availability of systemic indicators, focusing events (including crises and disasters) and feedback from the operations of current programs. The policy stream is analogous to biological natural selection: Ideas float between communities of specialists and those proposals that meet certain criteria (including technical feasibility and budgetary workability) are the ones that survive.

The politics stream is affected by swings in the national mood, turnover of elected officials and interest from pressure groups. For Kingdon the all-important coupling of these streams “is most likely when policy windows—opportunities for pushing pet proposals or conceptions of problems—are open. Policy entrepreneurs ... are responsible not only for promoting important people to pay attention, but also for coupling solutions to problems and for coupling problems and solutions to politics” (Kingdon 1995: 20).

Adopting this approach gives foundations various points of intervention in the policy process. They may attempt to influence the problem stream by carrying out and publicizing research that highlights particular issues, reconceptualizes them, presents them as at crisis level, or provides feedback from operations of current programs. They may attempt to influence the policy stream by promoting ideas and discussion, bringing together communities of specialists and others, and demonstrating the feasibility and workability of particular proposals. They may attempt to influence the politics stream by working on the national mood and/or by working directly or indirectly with other coalitions of interests.

Besides, foundations need to have a set of issues that are long-term, and they need to retain sufficient spare capacity to be opportunistic in responding to policy windows when they open.

4.3 Working On and With Others: Conceptualizing Interests in Policy-making

Foundations need to work on and with other interests to influence policy. The following list (adapted from Pal 1997) outlines the variety of ways in which interests in the policy process have been analyzed in the literature. The *iron triangle* sees interests in the policy process as stable and cozy relation-

ships among congressional committees, executive agencies (primarily regulatory), and economic interest groups, insulated from the rest of the policy process.

By contrast, *issue network* approaches see political systems as fluid, with actors coalescing as necessary around issues, not policy sectors. More generally, the notion of *subgovernment* emphasizes the idea that policy does not get made in a single system but in subsystems that consist of microcosms of all the relevant political and institutional actors.

Advocacy coalition approaches see policy fields as marked by competing advocacy coalitions, made up of a wide range of actors, who share a belief system about a policy area and over time demonstrate some degree of coordinated activity. *Discourse coalitions* are similar, but there is a stronger emphasis on language and meaning. Again the notion of a *policy community* is similar but includes everyone active in a field who share at least some common language, but who may be opponents on the issue. *Policy network* approaches emphasize the particular pattern of interactions and relationships that have consequences for the development and delivery of policy. The notion of an *epistemic community* was originally developed in the field of international relations, emphasizing the power of ideas and expertise, as expressed through professional organizations and individuals.

Other key ways of analyzing interests in policy-making include *public interest groups* that advocate for causes and the public interest rather than economic lobbying, and *social movement organizations* discussed above. In attempting to influence (Kingdon's) policy and politics streams in particular, foundations need to be aware of groupings of potential policy interests and partners as potential obstacles to and allies in change.

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The INSP Theory of Change Tool

1 Introduction

The International Network on Strategic Philanthropy (INSP) developed a Web-based, interactive scenario-planning tool that systematically gives donors and foundation staff the chance to access different approaches to social change, relate a given foundation's strategy and organizational form to a certain model of change, and guide decisions necessary to shape the foundation in a strategic way. The tool allows users to create a framework or model of change, also known as a "theory of change" or "logic model" that maps out how your program or initiative plans on getting from present conditions to your vision of success. Once completed, it provides a picture of how your program or initiative will bring about change in order to accomplish an identified goal.

Based on the theory of change development tool, a theory of change tool manual has been designed. The two components (manual and software) will allow for a broader use than just the software alone. The manual will allow the user to prepare, resulting in more effective use and a more positive experience with the software for those who wish to work alone or directly with the program. For others, the manual allows a facilitator, either internal or external to the organization, to lead a group exercise in creation of the theory of change. In addition, those who do not desire to work with software or do not have access will have the manual to guide and support the process.

The theory of change tool is available on the INSP Web site at: www.insp.efc.be/toc

2 The Purpose of the Tool

This tool was designed for use by organizations such as foundations, trustees, NGOs, and individuals such as donors, philanthropists or consultants to

facilitate the development of a theory of change, the first step in strategic philanthropy. As assets continue to shrink, the strategic, conscientious, and thoughtful use of resources is vital. Research, planning, collaboration, monitoring, and evaluation are key components of the work, particularly as all parties are seeking the maximum benefit from social investing.

The practice of philanthropy is taking a turn, moving from the traditional practices that historically have met immediate needs and short-term goals to one of strategic or social-change giving, with the long-term goal of “funding change, not charity.” Although social change is a slow process, the institutions and individuals that support it are continuing to increase in number as they seek to address issues at their root causes.

A basic premise of strategic philanthropy is that those in need can often solve their own problems if they have the power and opportunity to do so. For example, whereas mainstream foundations typically fund projects created by intermediary organizations on behalf of the community, social funders look to those in the community to find solutions to their own problems.

Defining your work and the systems, strategies and activities that support it is a challenge. It requires a clear link between ideas about how a system can be built and the actual strategies implemented. Creating this link can be accomplished through the use of theory-based frameworks. These frameworks are tools that guide you through the process of articulating ideas about the best approaches for developing programs and solutions. Stakeholders can benefit from using theory-based frameworks because they make explicit links between ideas or theories of change, the strategies they plan to implement, and the outcomes they hope to achieve. Theory-based frameworks support implementation efforts as well as strategic planning and evaluation processes by helping stakeholders reach consensus about the populations they plan to serve, strategies they implement, and the results they expect to achieve.

3 What Is a “Theory of Change”?

A theory of change is the articulation of the underlying beliefs and assumptions that guide a service-delivery strategy and is believed to be critical for producing change and improvement. Theories of change represent beliefs about what is needed by the target population and what strategies will enable them to meet those needs. They establish a context for considering the connection between a system’s mission, strategies and actual outcomes, while creating links between who is being served, the strategies or activities that are being implemented, and the desired outcomes.

A theory of change has two broad components. The first component involves conceptualizing and making operational the three core frames of the theory.

These frames define

- Populations: Whom you are serving?
- Strategies: What strategies do you believe will accomplish the desired outcomes?
- Outcomes: What do you intend to accomplish?

The second component of a theory of change involves building an understanding of the relationships among the three core elements and expressing those relationships clearly. The theory of change is defined by the three core elements and the relationship among them.

4 Why Develop a Theory of Change?

- Theories of change help move stakeholders from being passive collectors and reporters of information to active users of information for system planning and service delivery.
- Theories of change help system and program staff better understand the kind of evaluation information they need to make day-to-day decisions.
- Theories of change help the evaluator develop research questions that focus measurement on changes that can occur given the particular strategies that are operative at the system, program and client level.

Because they facilitate understanding the link between strategies and the achievement of outcomes, theories of change facilitate the integration of data from broader evaluation and accreditation requirements into local evaluation efforts. Ultimately, having a theory of change helps those implementing strategies to understand assumptions and expectations that guide their decisions, actions and accomplishments.

5 For Whom Was the Tool Designed?

The tool is designed for flexibility, and is to be used by organizations or individuals, in a group setting or on their own. Whether it is a foundation, foundation trustees, NGOs, donors, philanthropists or consultants—the tool allows all people in the nonprofit sector to systematically assess their implicit

assumptions and to shape their programs in a way that best puts their beliefs into practice. It can be used if you are in the early stages of developing your philanthropy, considering the right vehicle for your giving.

The tool provides “things to consider” to stimulate thinking and discussion around each question and give you guidance in the critical considerations before you start. “Supporting resources” assist in forming your answer by providing food for thought through various resources—papers, reports, documents and Web sites. The resources are varied to meet a range of knowledge and expertise.

6 Theory of Change Development Tool Steps

1. What is the problem that you want to solve?
2. What do you see as the underlying causes of the problem?
3. At what depth or level do you want to work?
4. What effect do you want to achieve? What would a solution to the problem look like?
5. Who or what would be affected?
6. How could you influence the groups or structures? What vehicles could you use?
7. What tools or processes would you need to influence the groups or structures?
8. What resources (finances, time, skills and knowledge) would you need to employ these tools and processes to effectively influence the target groups?
9. Which resources do you already have?
10. What skills, knowledge and other resources do you need to develop? How can you capitalize on the resources of the people who have the problem?
11. Who else is working in the field? Are there opportunities for cooperation and partnerships? Is there likely to be competition with others?
12. Can you work in partnership with others? Do you wish to do so? Which skills and resources could you borrow from others?
13. How will you know when you have succeeded? What would count as progress after a year, two years, three years, and so on? What indicators will you use to measure your effect?
14. Now, review your answers to each step and consider:
 - Is this something the organization could work with?
 - Will the organization be comfortable and in agreement with this proposal as:

- A reasonable analysis of the problem?
 - An accurate analysis of the environment?
 - A viable plan of action for your organization, given its mission, income, knowledge and other constraints?
15. Once you have completed the tool and developed your theory of change, you are well on your way to creating a strategic plan for your organization or updating your current plan to reflect this new thinking. By completing this tool, you've done much of the hard work that goes into creating a plan.

7 How Does the Tool Work?

Developing your theory of change is an iterative process reflected in the design of the tool. You may work through the steps at your own pace, starting and stopping as you need. The information is interrelated and not necessarily linear; therefore, you may find it easier to start at a place other than step 1. You may work through the information in an order that best accommodates your style and needs.

The tool is composed of 15 steps, each asking a question. Each step provides assistance in three ways:

- Things to consider: to stimulate thinking and discussion about each question
- Things you'll need to complete this section: internal documents and planning tools that will assist in your preparation
- Supporting resources: to assist in forming your answer by providing food for thought through varied resources (papers, reports, documents and Web sites). Just click on the title and you'll be linked to the resource

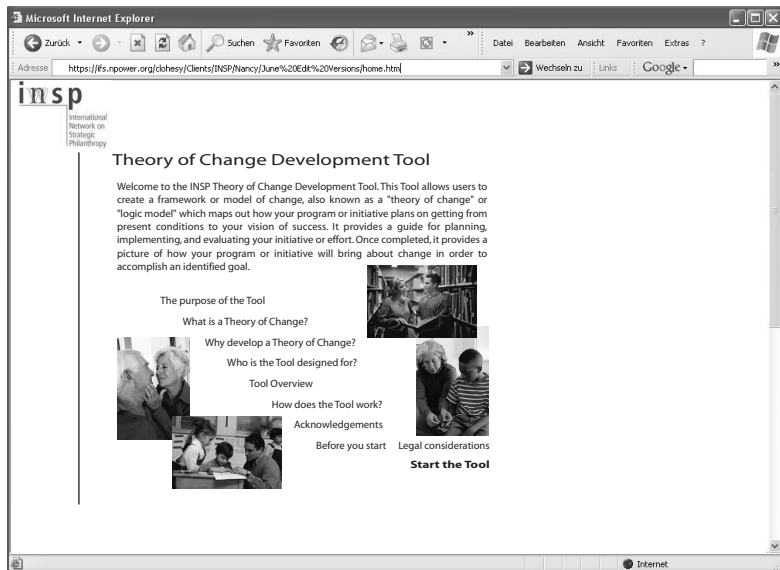
The assisting documents can reside on your computer or be accessible via the Internet, depending on which version of the tool you download.

8 Starting the Program

Once you have downloaded and unzipped the tool, go to the directory or folder that you just created to house the tool (default is/INSPTOC). In that folder, locate the file "home.htm." Right-click on that file to create a shortcut on your desktop. This will allow you to run the tool from your desktop in the future.

If you choose not to create a shortcut, double-click on “home.htm” and the program will start. The home page will look as below.

Figure 1: Theory of Change Development Tool



9 Using the Program

Click on any of the links on the home page to begin using the tool. Each link on the home page will take you to background information until you are ready to start by clicking on “Start the Tool.”

Philanthropy Program Design

Richard Mittenenthal

1 Introduction

Historically, philanthropies have rarely had to justify the use of their funds as long as they were being directed to the public good; however, more recently, philanthropies are being held to a higher standard of influence, resulting in the need for greater rigor in deciding which grants should be made, to whom, in what fashion, and for how long. Consequently, there is a greater focus on the first steps in the process by which foundations decide how to use their resources: program design. The discussion that follows highlights current trends and best practices in program design, and provides some direction for designing strategic funding programs. Building upon TCC Group's extensive experience in strategic philanthropy, this report is intended to assist grantmakers as they engage in increasingly complex giving to ensure that their philanthropic investments are focused and effective.

2 Philanthropic Sector Growth

Private foundations developed in the United States in the early part of the century, when wealthy individuals such as Andrew Carnegie and John D. Rockefeller decided to "organize their philanthropic giving in a new form, like the business corporations that were then so successful" (Council on Foundations). Thus, the first "general purpose" foundations were born.

The economic and tax policies of post-World War II America, combined with the aging of many of the wealthiest people in the country, paved the way for the growth in the number of foundations and the amount of assets they control. Today, there are about 74,000 grantmaking foundations in the United States.

The history of philanthropic institutions outside the United States has had a different trajectory, rooted in the diversity of their historical, political and

cultural contexts. In Europe, the industrialization of the early 20th century that contributed to the growth of the U.S. philanthropic sector brought significant political and economic upheaval, limiting the growth in number and influence of European foundations. The larger role of most European governments in the provision of social services has also shaped Europe's philanthropic sector. In some countries, such as the United Kingdom, the Netherlands and Sweden, foundations are valuable partners of government agencies providing services. In others, such as Italy, Spain and Portugal, the church has been a significant philanthropic player, and there is a clear division between foundations affiliated with the Catholic Church and the secular foundations of the late 20th century. In still others, such as France and Austria, the emphasis on centralization led to long-standing conflicts between the central government and other intermediaries providing services (Anheier and Toepfler 1999).

In the Caribbean and in Latin America, philanthropy is comparatively less developed. Historically, the church has played the primary role in providing charity, and the lack of tax incentives for individual giving and absence of strong nongovernmental organizations has contributed to the relatively slow growth of a philanthropic sector. In Asia, organized philanthropy is still in its nascent stages, with Japan alone being responsible for more than 70 percent of the region's philanthropic giving.

3 The Shift toward Strategic Grantmaking

The demand for increased rigor in the planning of programs is part of a larger trend toward enhancing the effect of foundations' investments. Over time, foundations have evolved their grantmaking from basic charity to using their resources as a lever for change. Not only are foundations seeking to be more philanthropic, they also hope that their philanthropy will leave a recognizable footprint in a chosen field.

Concurrent with foundations' internal drive toward greater effectiveness is the external pressure for greater accountability and efficiency in the use of foundation assets, particularly at a time when the worth of those assets has been hit hard by the economic downturn.

The notion of accountability in the philanthropic sector has historically been focused on grantee organizations and whether they were responsibly and effectively using the foundation's resources. However, a number of recent events have focused the public's attention on how foundations manage their resources. As one expert writes, "... while the source of their money is

private donors, the application of these resources to public purposes makes foundations accountable to the public” (Shaw 2000: 2).

The internal drive for greater influence and the external demand for greater accountability, coupled with decreases in foundations’ assets, has forced many philanthropies to think more carefully about their overall funding approach—both what they fund and how they fund it. This, in turn, has led to an increased emphasis on the measurement of outcomes. Leaders of foundations have begun to evaluate the cumulative and integrated effects of their grantmaking, both across their grantees and over time, and are now looking at ways to incorporate their findings into their grantmaking practices (Patrizi and McMullan 1998: 2). This has led to a growing realization that planning and evaluation are linked in an iterative process, whereby good planning leads to an ability to evaluate the effect, and understanding the effect leads to better planning.

4 The Process of Program Design

As philanthropies have become more strategic about their grantmaking, they have begun to approach program planning more methodically. By paying as much attention up front to developing an effective grants program as they do on the back end to evaluating it, foundations find that they significantly improve their effect. A rigorous process of program design enables funders to leverage the most influence with their limited resources; evaluation can then inform them of the efficacy of the approach.

Though not all funders adhere to a formal process in their program planning, it can safely be assumed that most engage in a range of activities focused on enhancing the effectiveness of their programs. They may scan the field informally and continually, conduct an internal review as part of the strategic-planning process, and intuitively factor into their thinking lessons learned from previous grantmaking experiences. Many funders rely on this ad hoc planning process to address the major grantmaking issues, and for many, they are sufficient; however, by taking the steps to formalize these activities into a structured process, funders can have greater confidence that they are asking the right questions and marshalling the appropriate resources when they embark on a new initiative.

Among the general steps involved in all forms of program planning are the following:

4.1 Step 1: Identifying the Problem and Articulating Principles

The first step to designing a program is to identify the problem to be addressed. While this may sound elementary, it is often one of the most difficult steps of the process. Typically, the problem philanthropies select is based on internal criteria. These may include a founding donor's stated intent at a private foundation; a corporate philosophy and business goals at a corporate foundation; a public mandate; or the shared values of foundation managers. Initially the donor may articulate these interests broadly, such as homelessness or land conservation. The design process can be used to focus the grantmaking institution and help set parameters around the issues that they have chosen.

As the Freeman Foundation case in the Appendix demonstrates, the internal values and priorities that are critical to guiding the process of program design are often intuitive. By articulating them, foundations can incorporate them into their program criteria and can avoid having to make ad hoc decisions around objectives and resources.

Issue: Lifecycle

As funders search for "pressure points" in the field, they should pay attention to the stage of the issue's life cycle. Political scientists identify five stages in the policy-making process: problem definition, agenda setting, policy adoption, implementation and evaluation. How policy advocates choose to promote their specific policy objective depends on the stage of the process of policy development: how clearly defined and understood the problem is, whether possible solutions have been identified, whether these solutions have been implemented successfully, how aware of and concerned with an issue the public and policy-makers are, etc. Similarly, the phase of a social issue should inform how funders employ their resources. The Pew Charitable Trusts have revised the policy stages model to fit social issues more broadly. The five phases they identify are:

- *Recognition and awareness*: Occurs when a new or neglected problem begins to receive widespread attention. This may be because of an event or crisis, a demographic shift, an innovation, or a concerted public education effort by interested parties.
- *Definition and analysis*: Once attention is focused on an issue, those with a stake in the outcome work to better understand and define the problem. During this phase, stakeholders attempt to dig into

the sources and dimensions of the issue, frame its boundaries, and investigate possible solutions. This involves public deliberations and discussions, as well as research and analysis.

- *Mobilization and agenda-setting*: Once participants have a clear understanding of the issue and their own position, they work to get it on the public agenda. Through public education and discussion, and by building alliances with influential individuals and organizations, stakeholders strive to ensure that their perspective on the issue predominates. As the issue is debated, certain perspectives gain wider acceptance, and the most powerful capture the attention of decision makers.
- *Response*: Once the issue has captured the attention of relevant decision makers, they will weigh the options and adopt a particular approach to the problem. Examples of possible responses include passing legislation, changing corporate practice, or initiating a service program.
- *Implementation*: After a solution is chosen, it must be put into action. How well the response is implemented determines how effective it will be at achieving its intended objectives. Implementation often reveals new challenges and problems, setting the process in motion once again as the problem is redefined and put back on the agenda.

4.2 Step 2: Articulating Assumptions

The second step is to articulate assumptions about how the issue can be addressed through the foundation's grantmaking. Using existing knowledge of the problem, the activities of others in the field, previous grantmaking experience, and a sense of the foundation's capabilities, funders can develop a rough idea of how their support can address the problem and achieve the desired results. The example of the Wachovia's Teachers and Teaching Initiative, described in the Appendix, demonstrates how the foundation was able to use its knowledge of the education sector garnered from years of education funding to identify the strategy of supporting teachers, which it used as a starting point for the development of its new major grants initiative.

Just as important as articulating hypotheses at the outset of the design process is recognizing that these hypotheses will—and should—change. Defining problems and determining solutions is an iterative process. As research

and analysis uncover new dimensions to the problem such as new stakeholders, new strategies and new solutions, foundations' understanding of their role in solving the problem will change. Developing a causal model early on is a helpful jumping-off point, but it can also negatively constrain program planning by focusing the funder too narrowly. This can lead to selective research and incomplete and constricted analysis. Funders need to take care to use the causal models as a tool for articulating initial assumptions and not a theory to be validated.

4.3 Step 3: Scanning

A critical step in the process is a comprehensive scan of the environment. Whether one is designing a new grantmaking program or refocusing an existing program, one of the most important aspects of the planning process is taking stock of the external context. The goal of the scan is to identify areas or strategies where additional resources can have significant influence. This may mean identifying a problem or region that is currently receiving inadequate philanthropic support, or it may mean identifying possible partners. It could also mean identifying promising emerging strategies, as well as learning about those that have been less successful in the past.

Scanning enables funders to better understand the underlying causes of a particular problem, how change occurs in a particular environment, and what solutions may be appropriate for a specific context. Grants are never made in a vacuum; the funding environment, be it a local neighborhood or the national arena, is in constant flux. In any given field, there are numerous players who influence how a problem is defined and addressed, including nongovernmental organizations, policy-makers, advocates, funders, government agencies, scholars, and the people ultimately affected by the issue. The effectiveness of any one funder depends on how these other elements are performing. Often, funders can have a significant effect if they strengthen or influence one or two key players. Scanning helps funders determine where these pressure points are and how they can be affected. Scanning also allows funders to test their assumptions and hypotheses—and to discover opportunities and successful strategies they had not anticipated.

There are a number of topics funders often address during a scan. These include:

- *Population*: Whom are you most concerned with, and what are the characteristics of that population?
- *Community needs*: What are the most pressing needs of the constituents

you are concerned about? Is your problem the most relevant? Are there other, more important needs that are going unmet?

- *Context*: What are the current political, social and economic trends, and how are they affecting the community? Are they having an effect on the problem as well? How are they likely to change in the near future?
- *Key players*: Who are the key organizations and persons in the field? What are their relationships to one another?
- *Strategies*: What strategies have been tried to address the problem? Which have worked, which have been less successful, and why? Who are the players?

Scans also take into account the philanthropic landscape, such as:

- *Other funders in the field*: Who else is funding in your field of interest? What are they funding, and what are their funding strategies? Are there potential partners?
- *Successful strategies*: What funding approaches in this field seem to be most or least successful, and why? What models might be good ones for replication?
- *Gaps*: What issues or strategies seem to be receiving less philanthropic support, and why? What effect might supporting these issues have on the field?

Scanning can involve as much time, labor and finances as funders want; as with any assessment, funders have to determine the degree of rigor appropriate to their needs. On one end of the spectrum, funders can engage in a few conversations with grantees and other funders. At the other end, they can fund extensive research to determine how political or economic trends will affect a population. The Doris Duke Charitable Foundation, described in the Appendix, utilizes outside consultants to conduct field assessments every five to seven years in each of its four funding areas. On the basis of the results from these scans, they modify the objectives and implementation of their grants programs.

A broad scan can highlight connections and causality that may be difficult to discern from one organization or grantee. It can also open funders' eyes to new ways of defining a problem and new approaches for solving it. As new information is uncovered, hypotheses are revised and weaker ideas discarded. It greatly increases the likelihood that the issue is relevant to those affected by it and that solutions and strategies are appropriate to the current environmental context. The example of the Freeman Foundation's Asian Immigrant and Refugee Economic and Education Opportunity Program, described in the

Appendix, demonstrates how continuing scanning of the field led the foundation to phase out the program, determining that the needs of the Asian immigrant and refugee population had changed.

Possible methods of scanning include:

- *Secondary research*: Reviewing academic literature, journal and newspaper articles, and research produced by other grantmakers and grantseekers. If the issue is highly localized, local or community papers and newsletters from local community organizations are often informative. The Internet is also a rich source of secondary information.
- *Discussions*: In addition to speaking with grantees and other grantmakers, funders may want to talk to academic experts, community leaders, advocates, policy-makers and other government officials to get a broader perspective on the issue and what’s being done to address it. Talking to a diverse range of stakeholders may also provide new ideas for partnerships and collaborations.
- *Gatherings and conferences*: Conferences and professional meetings on the issue are often a good source about current trends in the field. Community meetings or public events or actions offer an opportunity to hear how those most affected perceive the issues.
- *Surveys*: A written or oral survey can be an efficient way to gather information from a range of sources. Standardized surveys also allow funders to compare answers from different respondents, which may illuminate different problem definitions and strategic responses.
- *Network mapping*: Network mapping is a tool to measure the strength of networks of individuals and institutions. By asking key individuals about their relationships with others, funders can develop a map detailing the strength and direction of these connections. By clarifying the nature of the relationships, funders can target resources to “pressure points”—the most influential organizations or individuals.

4.4 Step 4: Internal Assessment

The fourth step of the process of program design is a frank and thorough internal assessment. An external scan can help reveal the resources necessary to achieve a desired outcome; an internal scan can tell funders whether they have those resources at their disposal. The internal assessment helps the foundation decide its appropriate role, whether it will be a passive funder or more involved with its grantees; whether it wants to partner with other public or private funders; and whether it can be a leader and advocate among peers

and policy-makers on the issue. Foundations need a clear understanding of their own capabilities so that they can align what is needed with what they can realistically contribute—in finances, human capital, intellectual capital, and influence.

Among the questions that foundations should address during internal assessments are the following:

- *Financial*: What percentage of your budget are you willing and able to put toward this program? Is this amount sufficient to address the need?
- *Human assets*: What are the strengths of key personnel, and how might they be used to address this issue? How much human capital (vs. financial capital) can the foundation spend?
- *Intellectual capital*: How much intellectual capital—e.g., experience in the field, access to experts, etc.—does the foundation bring to this issue?
- *Social capital*: How are you perceived by others in the field? What networks and relationships do you have that may be relevant to addressing this issue?
- *Comparative advantage*: What are your “competitive advantages” when it comes to addressing this issue? Given information gathered from the scan, what are some unique strengths/assets that the foundation can bring to the issue?

Often, the internal review is omitted or is only addressed in a cursory fashion. The funder may believe that its own capacity is a known quantity. Consequently, its focus is on what it has done, as opposed to what it could do. At best, this leads to programs that don’t take full advantage of available resources; at worst, it creates programs that are not truly responsive to changing circumstances and relationships. Funders need to go beyond just looking at financial statements and survey their colleagues, staff, and others in the field to ascertain the possible resources they bring to an issue.

4.5 Step 5: Validating the Logic Model

The final planning step in the process circles back to one of the first steps. In the initial stages of planning, the funder articulated a causal model (often called logic models) that drew connections between activities and hypothesized outcomes. The information gathering that takes place in the interim helps the funder adjust the model and focus on appropriate strategies, realistic outcomes, and an understanding of the preconditions necessary for these goals to be met. As funders hone in on a program strategy, they continue to

revise their initial model and check their assumptions. Models provide a visual representation of the causal logic underlying the program.

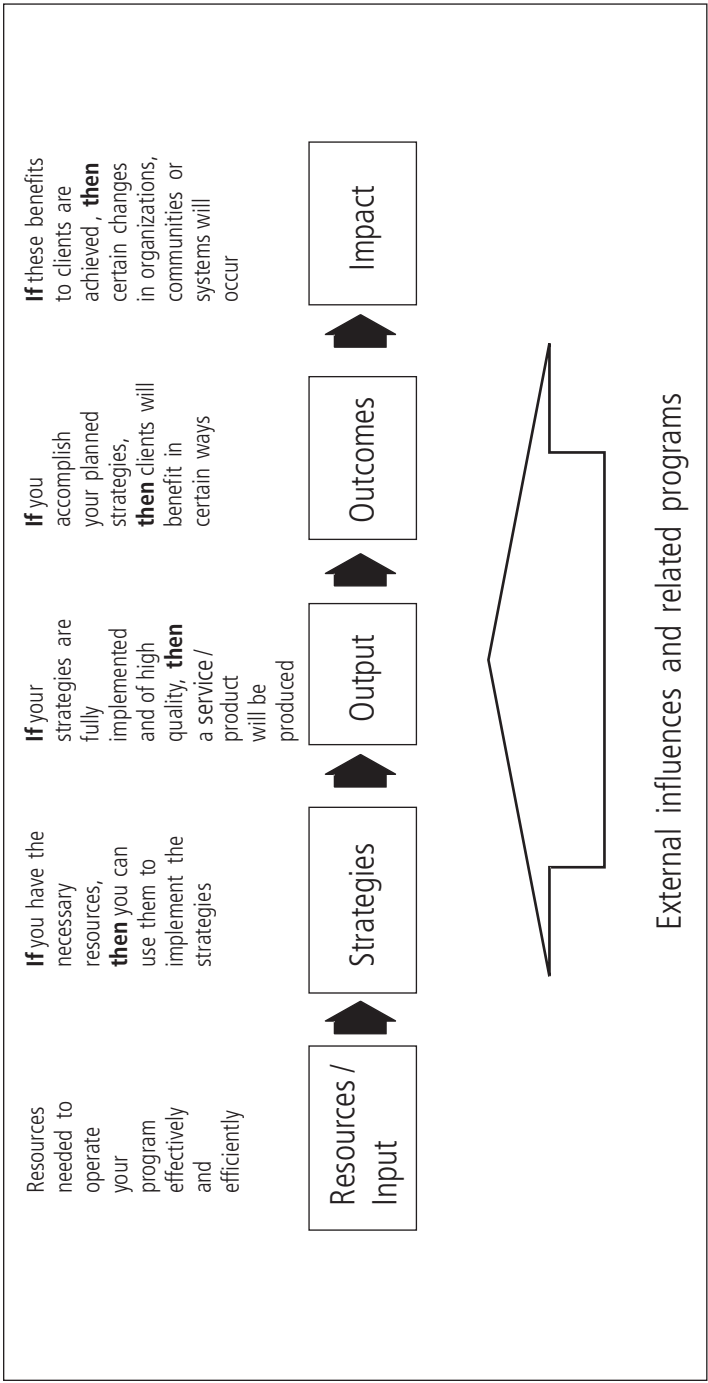
In very basic terms, logic models specify the desired outcomes of a program, the steps in the process necessary to achieve the outcomes, and the resources necessary for the steps to happen. Though many organizations have created different models and use different terminology, the essential structure of all logic models is the same. The diagram below depicts a basic logic model.

The use of logic models for evaluation has become pervasive in philanthropy, and funders are increasingly requiring grantees to articulate their theory of change in a logic model format in proposals; but using logic models to guide the design of a grants program is far less common. The Appendix provides examples of two logic-model frameworks that have specifically been developed for program planning: the Aspen Institute's Theory of Change model, and the Kellogg Foundation's Program Planning model. Obviously it is much easier to develop a model reflecting an existing, tangible program than it is to develop one based on theories of causality, hypothesized activities, and forecasted outcomes; but articulating the causal connections before resources are allocated allows funders to check their accuracy and revise strategy accordingly, increasing the chances for effectiveness.

Once the logic model has been mapped out, the final step is a "quality review" to ensure that the logic is sound, assumptions are accurate, and relevant influential factors are accounted for. This typically involves other stakeholders in the process—other funders, experts, and grantseekers. Having people with varied perspectives, such as grantees and community members, review the program theory increases its accuracy and the likelihood that resources are directed toward a pressing community need. It also provides opportunities for collaboration with other funders.

In 2000, Aileen Shaw of The Aspen Institute conducted a study looking at the grantmaking practices of 39 foundations. Shaw found that opening up the decision-making structure to include broader representation from communities served enabled funders to better target resources and respond to pressing community needs. She also found that including stakeholders builds credibility in the communities in which foundations operate, leading to improved access to information and potential partnerships for the foundation. She also noted an important secondary benefit, as stakeholders are empowered in the process (Shaw 2000: 6).

Figure 2: A Typical Logic Model



5 The Role of Evaluation in Program Planning

The iterative nature of planning and evaluation, whereby good planning leads to an ability to evaluate effect, and understanding effect leads to better planning, is clearly illustrated by the use of the logic model for program planning. With a clear sense of the incremental steps toward longer-term programmatic goals, funders can more easily develop an action plan detailing the resources, activities and outputs required to achieve their desired outcomes. They can also more easily identify appropriate indicators for evaluating the program's progress. Typically, developing a logic model is the first stage of the evaluation process; however, when a model has already been developed, evaluators can simply build on that when designing their evaluation plans.

In fact, evaluation and sound program planning are integrally linked, part of a continuous grantmaking improvement process. Evaluation should be used to continuously refine and hone the grant program, and decisions about future grants should be based on a sound understanding of past performance, and what is or is not effective.

Funders are often ambivalent about allocating resources for evaluation, not recognizing how assessing the performance of past grants can improve future grantmaking. Indeed, all too often evaluations are costly and their findings have little or no effect on future funding. For evaluations to be effective, they must be designed to look at both what effects were achieved, as well as what improvements can be made. In this way, the process comes full circle, with good planning being the foundation of understanding the effect, and evaluation feeding back with lessons learned to even better planning.

6 Appendix

6.1 Case Study:

The Wachovia Foundation's Teachers and Teaching Initiative

The Wachovia Foundation is a corporate foundation funded annually by the Wachovia Corporation, a banking firm with a large presence in the eastern United States. Its mission is to "build strong and vibrant communities, improve the quality of life, and make a positive difference where we work and live." In 2001, Wachovia merged with First Union, another large bank. The merger significantly increased the foundation's giving, but posed some challenges, as it meant merging the disparate giving programs of the two companies.

In 2001, TCC Group was retained to help the foundation focus its grant-making. It quickly identified education as an area of substantial commitment for both. In the process of formulating its overall philanthropic strategy, the foundation decided to develop an education initiative that would build on both companies' previous support for education. It wanted to develop a grants program with a strategic focus on outcomes, and it was looking for an opportunity to utilize more than financial resources.

Though the foundation was clear in its goal of supporting education and improving student achievement, it was less clear about how to achieve this objective. It recognized that its initial commitment of \$20 million over five years would have little effect on this huge issue if the program was not focused and strategic. Its existing education portfolio was quite broad, ranging from scholarships to academic enrichment programs, and included a number of grants to professional development organizations for teachers. TCC Group facilitated discussions with internal stakeholders and developed initial logic models to help identify assumptions and areas of interest. On the basis of its previous grantmaking experience and general knowledge of the educational field, the foundation had some preliminary ideas about what worked and was interested in the idea of raising student achievement by improving teachers' performance. Within that broad framework, the foundation tasked TCC Group with developing a more focused grants program.

To this end, TCC Group conducted an in-depth scan of the education field and engaged internal stakeholders in developing a logic model for their vision of a more targeted education program. They conducted extensive secondary research, interviewed key internal and external stakeholders and experts in the education field, spoke with a number of education funders, and conducted a benchmarking study of peer corporate foundations.

They analyzed programs and strategies that had been successful, as well as those that hadn't; looked for gaps in the field, where few public or private dollars seemed to be supporting promising practices; and examined possible opportunities for partnerships and collaborations. They also analyzed the internal capacity of the foundation to determine what human, financial and capital resources were available. As a result, a comprehensive logic model was created that encompassed the desires of both internal and external stakeholders. The reality of the model required Wachovia to continue to narrow its focus.

To focus the program further, TCC Group developed two scenarios that represented different strategies in the comprehensive logic model toward achieving the same aim: "To increase student achievement in pre K-12 public education by building and supporting teachers and the teaching profession."

The first scenario, “Transforming Communities,” focused on comprehensive systemic change at the school, school district and community levels, and necessitated a more narrow geographic focus. The second scenario, “Fostering Professional Excellence,” emphasized improving academic achievement by raising the performance and capacities of teachers within the classroom.

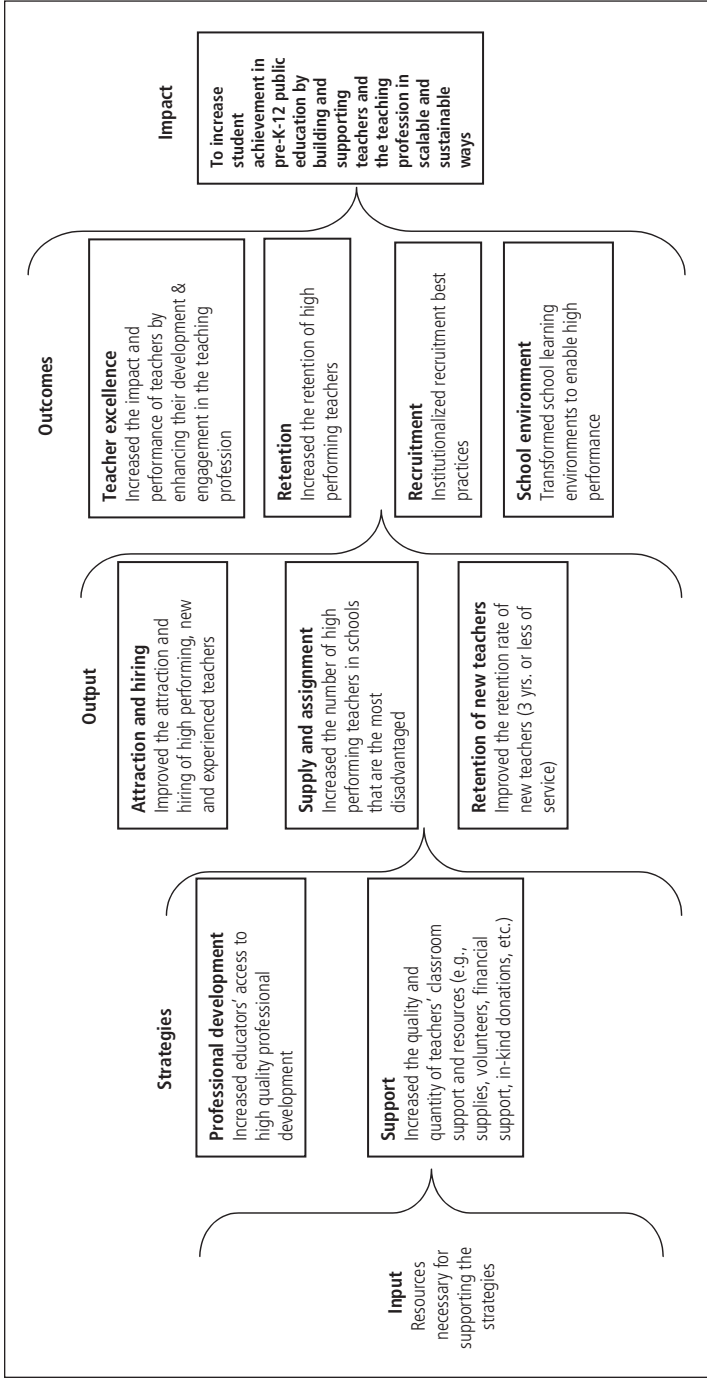
For each scenario, TCC Group outlined the strategy, geographic target, effect, and outcomes. After discussing these general scenarios, the foundation decided that it preferred the broader geographic reach, increased flexibility, more immediate effect and the more individual focus of the second scenario. It also felt it would be more feasible and manageable given its capacity and resources.

TCC Group created a more targeted logic model detailing the strategy. The model depicts an assumption of how the inputs of their resources would contribute to strategies and activities that achieve the desired outputs of teacher excellence, retention, recruitment and improved school environments.

To substantiate the theory of change (or logic model), TCC Group shared the model with a panel of education experts to test and validate the strategies. Through these additional interviews with funders and education professionals, they were able to further hone the strategy, and suggested a more targeted screening process for potential grantees. The validation process also unearthed ways for Wachovia to add value to the process, such as convening grantees. To date, the logic model has driven the criteria used to select the grantees.

In addition, the logic model also serves as the basis for the evaluation. The foundation is able to monitor grantee progress toward significant benchmarks identified in the strategy and program-development process, and to engage in continuing education to keep track of changes in the field. This enables them to refine the strategy and make necessary modifications to their grantmaking over time. Since 2004 marked the first year of funding through the Teachers and Teaching Initiative, it is difficult to ascertain the program’s success at this point. However, early input from grantees and others in the field suggests that the foundation’s investment has had some positive effects on teacher performance, retention and recruitment. As a deeper understanding of these effects is developed, the foundation will continue to revise and refine the initiative and its logic model as well as to share lessons learned with the field of education and grantmaking.

Figure 3: *Wachovia Outcome Grants Program Logic Model*



6.2 Case Study: The Doris Duke Charitable Foundation

When Doris Duke died in 1993, she left the majority of her estate to the Doris Duke Charitable Foundation and designated four areas for support: the performing arts, the environment and wildlife conservation, child-abuse prevention and medical research. However, her instructions provided substantial latitude for foundation officers to develop grantmaking along any of a number of avenues, including advocacy, legislation, public awareness and direct service.

As one of the first steps in charting a course for the foundation, staff called together experts from each of the four areas to discuss the needs and gaps in the various fields and to help identify where the foundation could have an effect. The program strategies were developed on the basis of the findings from research and meetings of experts, and the strategies were then presented to the trustees for their approval.

The desire to retain a small program staff was a major consideration for the board in designing the foundation's grantmaking. There was an explicit decision to keep staffing at a minimum: two or three people in each area. This, in turn, had clear implications on how the foundation would engage in grantmaking, by making fewer and larger grants each year.

While the foundation states that it does not use a formal method for designing its grantmaking, it has maintained the process of convening outsiders to advise the process. A scientific advisory council (SAC) made up of experts in a specific field is put together to review programs and focus areas. Their charge remains much as it was in the initial days of the foundation: to identify gaps and needs, to assess how the foundation can make a difference and what it has the capacity to do, and finally how to use the money in the best way possible.

While DDCF does not have a formal design methodology, it has instituted a program-planning process that assesses the field every five to seven years by outside consultants and a strategic evaluation that assesses the appropriateness of the selected strategies in achieving the goals and objectives of a program every three to five years by internal staff and consultants.

The foundation has decided that "rarely will it be feasible for evaluation to measure the ultimate effect of our grants (as this requires decades to determine and is often too costly to justify the benefits) nor can it establish a direct causal relationship between our grants and most of our strategic objectives... While we can measure the number of clinical scientists working to find a cure for cancer or other diseases, we will not be able to judge whether DDCF's grants, specifically, led to a cure."

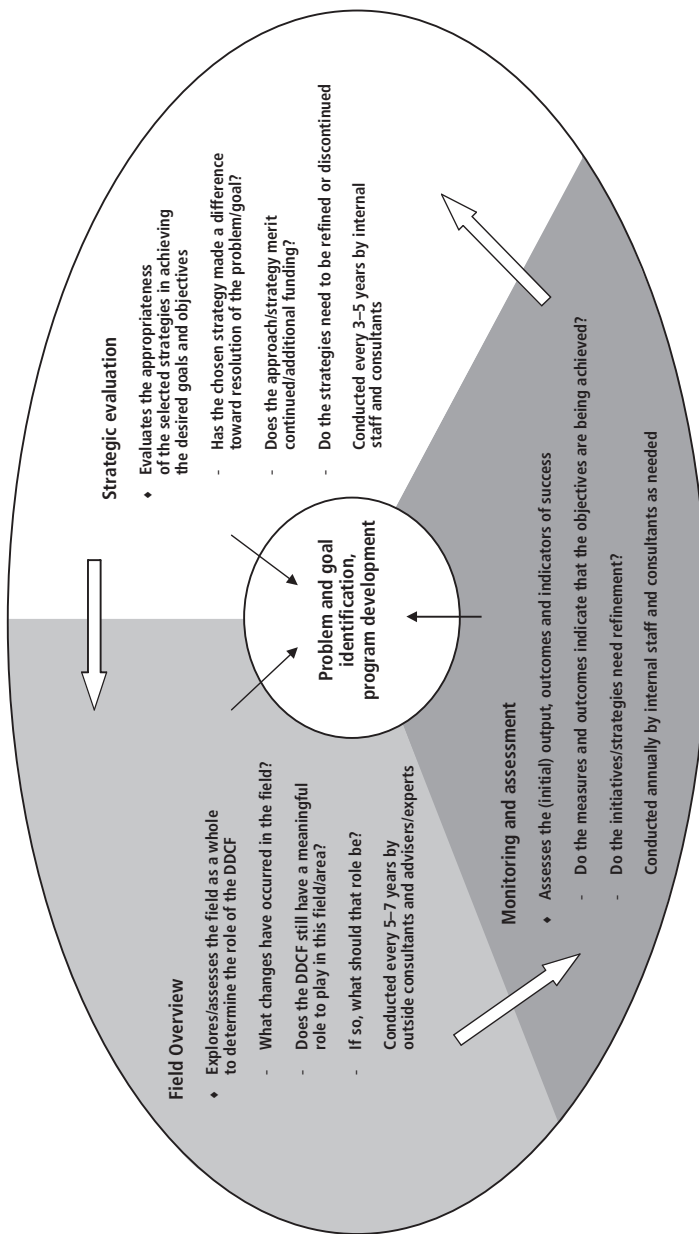
The evaluation process that DDCF has chosen is illustrative of the planning-evaluation continuum described in this paper. As can be seen in the diagram below, the evaluation of strategies is designed to help the foundation determine whether refinement in the program design is needed, whether the funded strategies appear to be achieving their desired goals and objectives and whether continued funding is merited. The field analysis is akin to the environmental scan described previously. It is the starting point in the creation of new programs and is also the point to which the foundation returns every five to seven years to explore changes that are occurring in a sector, and DDCF's niche as a funder. The foundation then incorporates the findings in the redesign of programs (or their elimination) and continues and repeats the planning-evaluation cycle.

6.3 Case Study: The Freeman Foundation—Creating The Asian Immigrant and Refugee Economic and Education Opportunity Program

The Freeman Foundation began operations in 1993. Its major objectives include strengthening the bonds of friendship between the United States and the countries of the Far East. The foundation's trustees initially became concerned about economic opportunities for Asian refugees and immigrants after witnessing underemployment and language barriers facing Asian newcomers in their home state of Vermont. As a result, they initiated a successful and creative workplace English program in partnership with a Burlington, Vt. nonprofit organization in the mid-1990s. The foundation trustees are highly involved in program design and implementation, but needed some assistance in assessing new possibilities. Assuming that there might be opportunities for similar initiatives in other cities, the foundation approached TCC Group in 1996 and charged the firm with conducting a needs assessment, upon which a six-year grant program was ultimately based.

The process for developing what, since 1998, has come to be known as The Asian Immigrant and Refugee Economic and Education Opportunity Program had several phases. TCC Group's first assignment was to prepare an assessment of the needs of recent Asian immigrants and refugees in the United States. TCC reviewed data from the census and from philanthropic affinity groups. Staff members conducted more than 60 interviews and a telephone survey of private and government funders, representatives from national voluntary refugee resettlement agencies and staff at national and local Asian-run service providers. They also charted the trends in arrivals among

Figure 4: Program Design and Evaluation Approach of the Doris Duke Charitable Foundation (DDCF)



Asian ethnic groups, the types of existing government support to help them on their arrival, and the gaps in services.

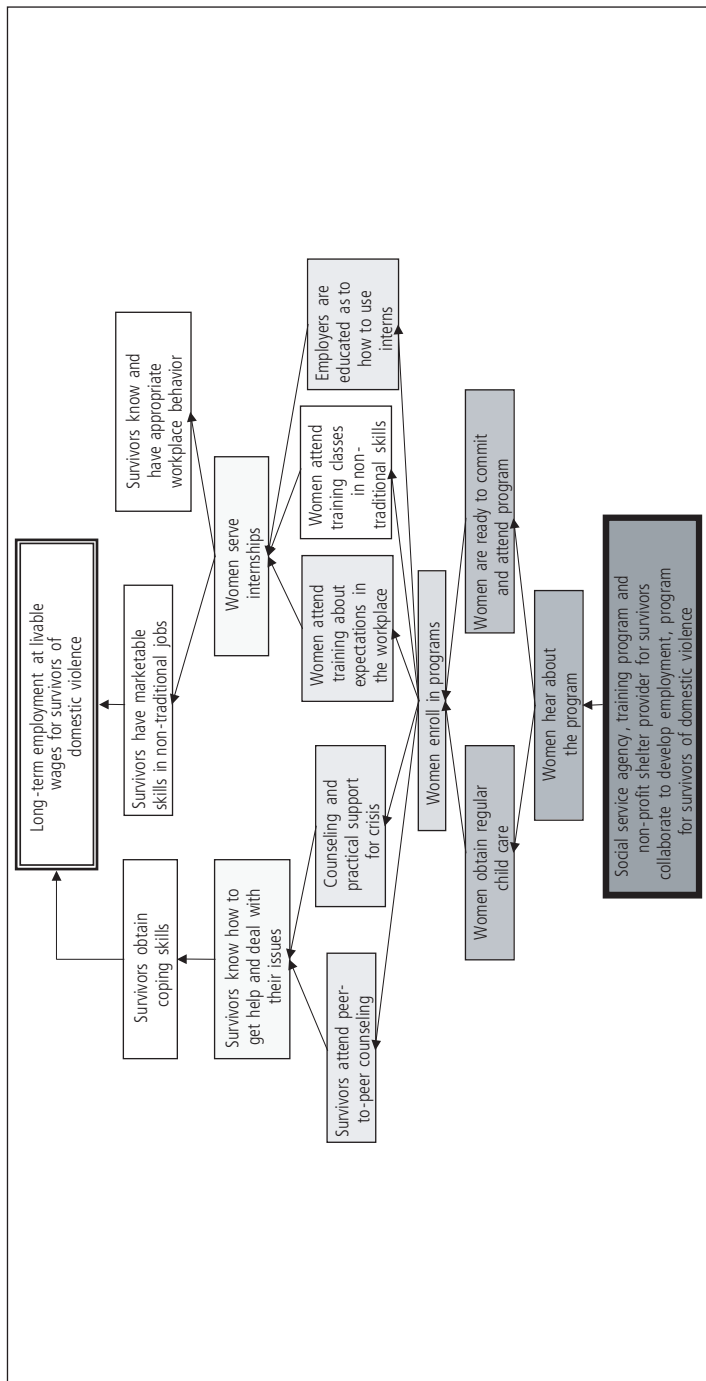
The trustees of the foundation reviewed the information carefully and reaffirmed their interest in offering English instruction to underemployed recently arrived Asian immigrants and refugees. As a result of the research, they also decided that they would like to more broadly support Asian newcomers in their quest for jobs and economic security. Subsequently, they asked for a second research effort. They requested that TCC staff members identify a group of cities and smaller communities where a program serving Asian immigrants and refugees would be most viable. TCC Group staff created community profiles documenting immigration trends, economic challenges and service-provider networks. The foundation trustees then designated four communities for a pilot program.

The foundation targeted specific organizations in these communities to receive requests for proposals. Of these, eight were funded. Gradually, the program grew as the foundation added sites to meet changing needs of a moving population group. By 2002, the program included 21 grantees at locales ranging from Seattle, Wash., to LaCrosse, Wis. The program still includes 12 grantees, some completing their sixth year of project operations. The foundation, however, decided to stop supporting new grantees in 2004, because of declining refugee arrivals after 2002.

While the program had no formal evaluation component, a five-year retrospective report demonstrated its value to individuals, organizations serving them and communities. The program was found to fill an important gap in services for recent Asian immigrants and refugees; be directly responsible for advancing economic opportunities for Asian immigrants and refugees; have long-term benefits for individuals, including improved problem solving and planning skills and increased civic participation; and strengthen community infrastructure by helping grantees form partnerships and leverage other funding sources.

Though the process for developing the program was not highly formalized, the trustees entered into the design work with a clear definition of what they wanted to do and their target community. The needs assessment was an essential component in helping the trustees decide to go ahead with the expansion of the program and helped determine many of the implementation issues. Throughout the process, the trustees remained open to new information and incorporated that data into their thinking.

Figure 5: Aspen Institute—Theory of Change



6.4 Case Study: The Aspen Institute—Theory of Change Model

A more complex and detailed program planning model is that of Theoryof-change.org, a joint venture of the Aspen Institute's Roundtable on Comprehensive Community Initiatives and ActKnowledge. It works backwards from identified goals to mapping the steps necessary to achieve them (the preconditions necessary for change to occur and the ways the proposed intervention will create the desired outcomes). The model focuses on articulating and testing assumptions of causality between activities and outcomes, and between short-, medium-, and long-term outcomes. It also incorporates the development of specific indicators that can be used for evaluating the program.

The preceding diagram is an example of the model. Starting with the ultimate goal of long-term employment at a livable wage, the funder works backward to identify the intermediate outcomes necessary to achieve that goal. The solid lines indicate that the preceding steps are preconditions—without them, the following outcomes will not occur. The letters corresponding to the outcomes indicate assumptions. As outcomes are identified, the funder continues to work backward and identify the preconditions necessary for achieving them. Illustrating the connections between outcomes helps check the program's logic. It also illustrates when outcomes will occur on their own and when they require intervention, thus identifying places most appropriate for funders to focus their resources.

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The Role of Evaluation in the 21st Century Foundation

Edward Pauly

1 Introduction

One of the most visible changes in philanthropy in the last 20 years has been the increased attention paid by foundations to the results of the activities they support. In many cases, foundations seek to improve their results by using new tools—including strategic planning, operational planning, and evaluation. This emphasis on results is part of broad “foundation effectiveness” and “strategic philanthropy” movements that are global in scope. Expanding the use of evaluation, and being more thoughtful about evaluation, are significant responses to the new emphasis on the results of philanthropy.

Yet evaluations are often problematic for foundations, for several reasons:

- Foundations often decide to use evaluations without making an informed assessment of the particular kind of evaluation—among the quite different evaluation approaches that are available—that will serve their purposes. Choosing an evaluation approach that is ill-suited for the foundation’s needs creates problems.
- When evaluation results differ from the claims made by staff and grantees, or when staff fear that evaluation results will differ from their claims, the evaluation is often seen as the source of the problem.
- Many foundations place a higher priority on directly supporting high-quality social-service organizations than on achieving specific results and using evidence of results to improve the organizations’—and the foundations’—performance.

The effective use of evaluation by foundations that seek to increase their focus on results, and the benefits and challenges of using evaluation effectively, are the topics of this paper. A foundation can shape its use of evaluation according to these guiding questions: What does the foundation most need to learn? What are the distinctive features and contributions of the activities the foundation is examining? What is the new understanding the foundation seeks to

obtain from an evaluation? What kind of evaluation best fits both the foundation activities being examined and the foundation's learning goals? When foundations carefully determine what they need to learn, it is straightforward for them to determine how to use evaluation effectively.

2 Evaluation as Learning about Results

Discussions of evaluation often stumble because people assign different meanings to the word *evaluation*. Evaluation in philanthropy can be defined as the use of systematic information-gathering and research activities to learn about the results of foundation-supported activities. Thus, evaluation is both systematic learning about the results of a foundation's work and it is applied research on foundation-supported projects.

Defining evaluation as learning is a departure from current thinking in many foundations, which often see evaluations as efforts to find out whether a foundation-supported activity "worked." Yet because foundations have different missions and goals, and support many kinds of activities, they need to learn different things, and different learning goals require very different evaluations. Learning what the foundation most needs to learn sometimes requires an evaluation that examines how a project was managed, how services were provided, and who received the services; sometimes it requires an evaluation that assesses the outcomes of the project; and sometimes it simply requires the documentation of how the foundation's resources were used. These differing forms of evaluation produce different kinds of learning.

3 Learning the Important Lessons—Why Evaluation Is Powerful, Creative, and often Problematic

In order to learn the right lesson from the foundation's work, the foundation (and often its grantees as well) must first decide what lessons they most need to learn. Learning important and useful lessons from a foundation project is sometimes difficult—particularly if the project is complex or innovative. Yet foundations' activities cannot achieve their goals, receive recognition for their accomplishments, be improved, and become more widely used unless accurate and useful information about their operational experiences and their results is readily available. Used thoughtfully, evaluations gather, organize, and analyze the information needed to learn important lessons about the projects supported by foundations.

The uses of evaluation for foundations can be quickly summarized:

- Evaluations identify important and useful lessons reflecting the varied contexts and the diverse goals of foundations.
- Evaluations provide practical information on ways to improve program operations, thereby increasing opportunities for foundations to obtain good results.
- Evaluations counterbalance the all-too-human tendencies for foundation staff (like other leaders) to indulge in overly optimistic “delusions of success” (Lovallo and Kahneman 1999).
- Evaluations build reliable and useful evidence about the performance and effects of the innovations supported by foundations.

Despite the benefits for foundations of carefully-designed evaluations, many foundations have found that the evaluations they commissioned were not useful, timely, flexible when a project changed direction, or relevant to the foundation’s decision-making. These failures occurred either because the evaluation was conducted poorly or because the foundations did not select the most appropriate evaluation approach and failed to gather the lessons that would have been of value. In either case, a careful effort to decide what the foundation really needed to learn and what evaluation approaches would enable it to learn what it needed to learn would likely have produced an evaluation that benefited the foundation.

4 The Status of Evaluation in Foundations

Globally, most foundation activities are not evaluated, and only a minority of foundations use evaluation. Most foundations do not systematically gather lessons on the basis of the results of their activities. However, foundations’ use of evaluation appears to be increasing.

4.1 The Status of Evaluation in U. S. Foundations

Evaluation is much discussed among U.S. foundations, apparently reflecting two historical roots: the business sector’s emphasis on using and releasing credible information on performance, growth and profits, and foundation trustees’ application of these management practices to the foundations they oversee; and the government sector’s extensive use of evaluation to assess and improve government services in the absence of market feedback mecha-

nisms. Overall, the status of evaluation in U.S. foundations is mixed. There are some hopeful trends, but neither the business goal of measuring performance nor the government's goal of improving services has yet been achieved in more than a modest number of foundations.

4.1.1 Frequency of Evaluation Use

In 2004, the Urban Institute and Grantmakers for Effective Organizations reported the results of a survey of the 3,000 U.S. foundations that employ a professional staff (most with assets of at least \$5 million), providing the best information to date on the use of evaluation by U.S. foundations. The survey found that 44 percent of staffed foundations in the United States reported that they formally evaluate work they fund, and 75 percent of foundations with more than \$400 million in assets reported doing so. U.S. foundations hire a wide variety of professionals to conduct evaluations, including independent nonprofit research organizations, consultants, university faculty and graduate students, and others.

More than half of staffed U.S. foundations reported that they frequently require organizations they fund to report on the outcomes of their foundation-supported work. Fifty-six percent said they did this “always” or “often.” For many foundations, “evaluation” refers to reports received from grantees on their work. Of the foundations that reported using formal evaluations, 16 percent said they make evaluation results public “always” or “often”; 47 percent said they never do so (Ostrower 2004).

4.1.2 Nature of the Evaluations

Most of the evaluation work done by U.S. foundations falls into one of two categories, and examples representing other approaches can also be found:

- Plan-versus-performance (or grant monitoring) evaluations document how foundation funds were actually used and whether the activities originally planned when the project began were actually carried out. This is the most common evaluation approach, and it is used by a wide range of U.S. foundations. The information is usually gathered and presented by grantee organizations' staff. Since many grantee organizations lack evaluation expertise, these evaluations vary in their quality and reliability.
- Outcome evaluations assess whether various kinds of results sought by program operators were achieved. These evaluations include the whole

range of program evaluations, implementation studies, participation studies, cost studies, and other studies that examine what happened as a result of the foundation-supported activity and why it happened. The outcome evaluations commissioned by foundations generally go beyond grantees' plan-versus-performance reports to examine not just the activities that were conducted, but the effects of those activities and the reasons the activities were conducted productively or not so productively.

Program evaluations seek to determine whether the intended results were achieved by the foundation-supported activity. They begin by identifying the outcomes sought by program operators; they gather information on the outcomes achieved by the foundation-supported activities; and they draw conclusions about the extent to which the desired outcomes were achieved.

Implementation evaluations examine operational topics such as how a program was carried out, the proportion of targeted people who actually received services, and the management challenges encountered during the program. Careful implementation studies can provide highly practical lessons on how to improve the service delivery, the identification and recruitment of participants, and the management practices of both the foundation and its grantees. Good implementation evaluations can provide lessons that improve organizations' effectiveness and benefit people well beyond those directly served by a foundation-supported project.

4.1.3 Evaluations Aimed at Providing Lessons for Policy and Practice

A modest but growing number of U.S. foundations' evaluations go beyond the program evaluation approach to capture practical or policy-related lessons from innovative, foundation-supported projects. Implementation studies are often a valuable resource for policy-makers as they seek to fund well-designed services and articulate quality standards for programs that receive government funding. Reliable evidence on the effectiveness of new approaches can spread lessons about effective practices to all the organizations in a sector. Since many fields supported by foundations lack the research funding and the technical expertise needed to develop new methods and programs, the evidence provided by good implementation studies is particularly valuable for them. These lessons for practice and policy, provided by evaluations, are often the building blocks of improved performance by government, nonprofit organizations and private-sector organizations.

4.1.4 Assessment of U.S. Foundations' Use of Evaluation

Though evaluation is used by some U.S. foundations, very few of them use evaluations as a central part of their efforts to achieve their core goals. Implementation evaluations are rarely used to improve the effectiveness of non-profit organizations or to improve the effectiveness of public policies. Foundations that support significant innovations rarely use evaluation to determine the effectiveness of the innovation, how it can be implemented more effectively, how it can target people who will benefit the most from the innovation, and what the innovation would cost if it were operated on a large scale. Instead, the U.S. foundations that use evaluation mostly do so to find out whether the foundation's projects worked as they were expected to do.

4.2 The Status of Evaluation in European Foundations

Despite of the modest number of European foundations that use evaluation, the growing use of evaluation in Europe is significant because it is often directly tied to the foundations' core goals. Some European foundations use evaluation as a tool for learning important lessons to make improvements in their work and the work of grantees, as well as to contribute to public policy discussions. Among the European foundations that support the development and use of innovations, evaluation is sometimes used to learn about the implementation and effectiveness of these innovations. Finally, the pressure to demonstrate accountability, and to respond to regulatory agencies, has led some European foundations to use evaluation as a tool for demonstrating the implementation and outcomes of their activities.

These evaluations contribute to the dialogue between foundations and the other leaders of European civil society and government who are working on solving social problems, as well as the media. This link between European foundations' evaluations and the surrounding context of the evolving governmental and civil society system is quite dissimilar from the stimulus for evaluation in the United States, with its roots in business management and government program evaluations.

4.3 Probing the Status of Evaluation in Foundations in Russia, Africa, South America, and Hong Kong

The use of evaluation in Russia, Africa and Hong Kong reflects a history of foreign governments' aid donations, which have often required evaluations. These evaluations provided assurances of financial accountability and evidence of whether desired results were achieved, and the same evaluation goals have been adopted by foundations in these countries. Evaluations are less likely to be used to improve foundations' decision-making or to provide information and lessons to other organizations on what works and why.

Numerous foundations use evaluation in Russia, and evaluation practices are well-established among foreign donors, community foundations, and private foundations. This practice builds on the history of foreign donors' evaluation requirements. The International Program Evaluation Network (IPEN21) has led information exchanges, a publishing program, a Web site, conferences, training, and consulting programs on evaluation. U.S. governmental aid activities in Russia also supported training in evaluation in the mid-1990s. Currently, evaluations are conducted by foundation staff members, indigenous organizations, and contractors with foreign funding, including the NGO Support Center and Process Consulting. A small proportion of these evaluations are made public. The history of evaluation in Russia has created a climate in which programs use evaluations to strengthen their work.

Among foundations in Africa, foreign donors have a long history of requiring the use of evaluations, but in general evaluation results are not made public. A striking example of the role of evaluations can be found in the work of the AIDS Foundation of South Africa, which directly experienced the mortal consequences of ineffective service-delivery methods, along with great uncertainty about the effectiveness of alternative service-delivery methods—underscoring the need for evaluation, and causing the foundation to establish a research and evaluation desk early in 2002. Overall, the recognized need for effective programs appears to have promoted the use of evaluation in many parts of Africa, although capacity limitations have slowed the spread of evaluation.

Evaluation is used by a modest number of the larger foundations in Hong Kong. Corporate foundations in Hong Kong do not generally use evaluation, because their efforts focus on building linkages to community groups rather than on achieving particular service outcomes. In contrast, some private foundations and NGO fundraising foundations are established users of evaluation, particularly those working on development issues, where evaluation systems are seen as part of the development field's normal management and

program improvement practices. Some of these foundations provide evaluation training to their partners. A sizable fraction of these foundations publish the results of their evaluations. The extent of evaluation by Hong Kong foundations is particularly notable because there are deep-seated challenges to evaluation there. These include “*guanxi* giving” (philanthropy that is highly responsive to social connections); the tradition of using glamorous events, such as dinners and galas, to finance civil-society organizations; and a general avoidance of visibility by foundations.

In Uruguay, only a few foundations appear to use evaluations, and the few evaluation results are rarely made public. There has been considerably more use of evaluation by foundations in Argentina, where a sizable proportion of the larger foundations report that they support or commission evaluations. Many of these evaluations are made public, consistent with the considerable transparency of foundation activities in Argentina. The history and traditions of the foundation sector play a major role both in Uruguayan foundations’ limited use of evaluations and in the greater and more transparent use of evaluations in Argentina.

5 Different Kinds of Evaluation Produce Different Kinds of Learning

Different foundations have very different needs for evaluations, because they have different missions, strategies, assets and contexts. The experiences of many foundations show that there are well-developed evaluation approaches that can produce practical learning that is tailored to foundations’ differing goals. Six broad kinds of evaluation approaches can contribute in distinct ways to foundations’ work.

- *Monitoring*: Evaluations for monitoring document how the foundation’s funds were used, which planned activities and milestone accomplishments were achieved, and how much progress was made toward reaching the goals of the foundation-supported activity. Monitoring is typically regarded as an essential part of philanthropic due diligence (making sure that the foundation’s resources were used for their intended purposes). A major use of monitoring studies is to increase projects’ accountability to the foundation.
- *Implementation evaluations*: These evaluations analyze the operational feasibility of a project, the organizational changes that are necessary to support the project, the incentives for organizations and individuals that are necessary so that the project can be carried out, the practical challenges faced by the project and its staff and how those challenges can be over-

come, and the role of affected communities in enabling the project to succeed. A major use of implementation evaluations is to improve operational success, both for the foundation-supported program and, importantly, for other organizations doing similar work.

- *Impact evaluations:* These evaluations seek to provide evidence on the effects of a foundation's project on its intended beneficiaries. This approach is useful for determining whether a particular kind of activity is capable of producing a specified result; when this is already known, it is often preferable to use implementation evaluations to make sure the program is being operated in accordance with the impact evaluation's findings.
- *Participation evaluations:* Information about participation is important when service providers need to find out who benefits from the foundation's project: which people were affected, how many people were affected, and what proportion of the intended beneficiaries was affected. This approach is useful for improving the targeting of services and deciding whom to recruit and how they can be recruited.
- *Cost evaluations:* These studies gather and analyze cost information on the foundation's project, particularly information on the costs of expanding the project after the initial development costs have been amortized. This approach is useful for making decisions about financing and budgeting.
- *Evaluations of the logic and the state of knowledge and practice on a specified topic:* There is often a great need for lessons about the broad state of knowledge on which programs and services are based, including knowledge about the causes of key outcomes and how best to produce these outcomes in specified contexts and situations. These studies are valuable for strengthening the design of a foundation's programs, and they make a special contribution to the design of innovative programs.

As these six categories show, evaluation refers to many kinds of learning. Consequently, the central question in designing a foundation's evaluations is, What do the foundation's leaders most need to learn so that the foundation and its grantees can achieve the foundation's goals? Foundations of many sizes and types can use the tools offered by evaluation to learn about the results of their work. Even a small foundation can use evaluations effectively, for example by finding ways to strengthen a program's methods, or by assessing how the context of a project shapes its effects. An evaluation that uses just one of the approaches described here and does so effectively will accomplish more than a large, expensive evaluation that is broad and unfocused or that uses a purely generic evaluation approach.

6 Promising Results of Evaluation and New Evaluation Tools for Philanthropy

Evaluations have already produced a great deal of solid and practical knowledge drawn from the results of foundations' work. These evaluations have been put to use by practitioners, policy-makers, and other leaders, as well as by foundation trustees and staff. These evaluations have replaced assumptions with evidence, have used new knowledge to stimulate discussion and debate, have solved practical problems, and have proved the feasibility of innovative programs. The following examples demonstrate the kinds of benefits foundations have obtained from evaluations, and how their evaluations have contributed to society.

6.1 Evaluations Improve Performance and Promote Accountability through Monitoring

Evaluations are one way, but not the only way, for foundations to find out whether their grantees are carrying out their work as planned and whether key activities have been completed. Monitoring is often used as the basis of midcourse corrections when a project encounters problems, and as input for decisions on whether to renew funding. Monitoring is conducted in real time, that is, soon after the planned events were supposed to occur and long before the final results of a project can be assessed. Real-time monitoring makes it possible to intervene if a problem is found. However, when the monitoring news is bad, conflicts can arise between those seeking accountability for results and those counseling patience and flexibility in dealing with challenging problems.

The Wallace Foundation provides a case in point. The foundation supports a large project on improving the effectiveness of state and local school leaders in increasing students' learning. This project seeks to support innovation in the laws and practices of the states within the United States. When the foundation's program officers monitored the grants to 15 states, they found that little innovation appeared to be occurring in most of the states, partly because the states' governors and other high officials were not involved. The states' activities were limited in scope and importance and lacked a sharp focus. On the basis of their monitoring, the foundation's staff designed a second phase of the project, with more ambitious goals for the states; new kinds of technical assistance; and they added several states (chosen for their use of major innovations) to the project. These were major shifts, with larger roles for senior

leaders, greater use of experts, and clearer plans for achieving results. As this example shows, it is through monitoring that foundations frequently take action to increase the likelihood that their work will produce significant benefits for society.

6.2 Evaluations Provide Important and Action-oriented Lessons about Implementation

Foundations' implementation evaluations have produced powerful evidence of the feasibility of innovative programs, how they can be operated more effectively, and how newly designed programs can be refined to improve their performance. These evaluations provide powerful lessons on how to improve management, organization, staffing, incentives, and service design. In the 1960s, the widespread use in U.S. elementary schools of innovative mathematics curricula was not effective in helping students learn math. Implementation evaluations revealed that many teachers had not received adequate training in how to use the new curricula, resulting in poor instruction. These evaluations showed how teachers could be trained to use the curricula well, and resulted in improved learning for students. These implementation evaluations triggered major improvements and expansions of effective training for teachers.

6.3 Evaluations Provide Powerful Evidence about Effects

The significance of impact evaluations is that they provide credible evidence on whether a program or service should continue to be used. In 1995, the foundation-supported an impact evaluation of an adult mentoring program for "at risk" children ages 10 to 16 which found that mentoring clearly reduced the participants' use of drugs and alcohol, reduced the incidents of violence, and increased their school performance and attendance. The evaluation report ("Making a Difference: An Impact Study of Big Brothers Big Sisters"), by Public/Private Ventures, led to increased financial support for mentoring and encouraged more adults to become mentors. This is an example of how scarce social resources can be used more effectively when they are allocated using well-designed and well-implemented impact evaluations.

In general, impact evaluations are appropriate only for relatively established, stable programs. If an impact evaluation is conducted prematurely, it can lead to the misleading conclusion that the approach studied was a failure,

when the truth is that it was simply not well-implemented. The challenge for foundations is to understand when an impact evaluation is called for—and when another evaluation approach, such as an implementation evaluation, is more appropriate. Rushing to do an impact evaluation in the hope of discovering a silver bullet is frequently a recipe for disappointment.

6.4 Evaluations Provide Practical Information about Who Participates and Who Benefits, Thereby Improving the Targeting of Services

Evaluations that examine participation issues have often been extremely valuable in determining whether the intended beneficiaries were participating in a foundation-supported program, how many of them (and what proportion of the intended target group) participated, and whether they received sufficient services to enable them to benefit from the services (the “dosage” question). For instance, the evaluation of career academies (secondary-school programs that combine an academic emphasis with family-like support and career preparation) showed that the program attracted many students who did not need assistance in completing secondary school. The evaluation identified the importance of changing the eligibility and admission rules for career academies, so that scarce resources could be used for the students in greatest need of these programs.

6.5 Evaluations Provide Crucial Information on Costs

In The Wallace Foundation’s Pathways to Teaching Careers program, carefully selected teacher aides received scholarships to complete college to become teachers for high-need schools. An evaluation of their teaching performance showed that they were slightly more effective than conventionally prepared teachers, and they had greater job retention in hard-to-staff schools. The evaluation determined that after the development costs of the Pathways program were set aside, the operating cost was in the range of \$8,000—\$13,000 per participant. This was considerably less than the foundation’s gross cost per participant (which included the development costs), demonstrating the importance of a careful cost analysis. The high job-retention rate for Pathways teachers made these operating costs attractive to many school districts that have high turnover. Moreover, having clear and reliable evidence on costs was enormously valuable for policy-makers and other potential users of Pathways.

When evaluations provide reliable cost information, the resulting clarity about the amount of scarce resources needed to achieve a social benefit is a major contribution to public policy and large-scale social change.

6.6 Evaluations Assess the Logic and the Knowledge Underlying the Design of New programs

After years of support for arts organizations' efforts to encourage greater public participation, The Wallace Foundation sought to understand the logic and effectiveness of the approaches used. The evaluation took an innovative approach. It assessed the logic of the projects, by analyzing how people decide whether to participate in the arts. The study, "A New Framework for Building Participation in the Arts," by the Rand Corporation, showed how arts organizations can attract people who are initially disinclined to participate (by changing their perceptions through welcoming connections with their neighbors); people who are inclined to participate but are not doing so (by overcoming the practical barriers they face, such as parking, scheduled hours of service, or ticket prices); and people who are already participating (by deepening their experience of the artistry, through education and new programs). The evaluation broke new ground by logically connecting arts organizations' participation-building efforts with the needs of individuals as they decide whether to participate.

As these examples show, there are many ways in which evaluation has already provided practical lessons that serve the strategic purposes and goals of foundations. The examples also make plain the fundamental value of evaluations for 21st century philanthropy. They create reliable information and lessons that provide significant social benefits and advance foundations' missions.

7 Five Pitfalls of Foundations' Evaluations and How They Can Be Avoided: Lessons and Appropriate Criticisms Based on Foundations' Experiences with Evaluation

Foundations' evaluations are likely to fail when their context, design or execution reduces or undermines effective learning about the results of the foundation's work. This can happen in several ways.

7.1 Evaluations That Do Not Seek Significant Learning

A foundation's evaluations are really valuable only if they address the most important learning needs of the foundation. All too often, foundations conduct evaluations that seek merely to provide a general impression of whether the foundation-supported activity did what it was supposed to do, or to ensure compliance with the foundation's expectations. In contrast, the foundations that benefit most from evaluations use them to find the answer to their burning questions. What changes in the design of an innovation will provide the biggest boost to its effectiveness? Is the program serving the people who will benefit from it the most? If an innovation is used widely, what will it cost? What can be learned from the foundation-supported program that will show program operators how they can radically improve their work?

7.2 Low-quality Evaluations

All too many evaluations are untimely, inflexible and unable to provide useful findings. These are frequent results of a generic program-evaluation design (one that assesses whether a project's original goals were achieved), rather than a more carefully designed implementation evaluation, participation study, cost evaluation, or an assessment of the logic and the knowledge base related to a foundation effort. A badly designed or badly executed evaluation is as lacking in value as an evaluation that fails to seek important learning.

7.3 The Fear of Evaluation and the Need for Sensitivity about Future Funding

Many foundation staff members and grantees fear that negative evaluation results will severely damage a project and the reputations of its supporters. Evaluators are often viewed as police officers, enforcing compliance with pre-determined plans and punishing those who produce disappointing results. When evaluation is seen as policing, staff resistance and conflict with program operators is likely to follow. The most useful and productive role for evaluation is not the policing role. It is the learning role.

Good evaluations are always sensitive to the concern that the evaluation's findings will lead to the termination of funding or to a reputation for poor performance that could damage a grantee's future fundraising prospects. Instead of punishing innovative programs, evaluations that focus on implemen-

tation, costs, participation, or the logic and knowledge base typically identify valuable ways to improve the program's performance. This approach addresses the concerns of program operators and foundation leaders by emphasizing the gradual and step-by-step processes of program improvement and capacity-building.

7.4 Excessive Focus on Specifying Outcomes

Increasingly, foundations require grantees to specify their project's desired outcomes before the project begins, as a management tool that is unconnected to learning but instead seeks compliance with the agreement between the foundation and the program operator. This approach has little to do with evaluation. If it has value, it would seem to be mostly when the foundation is paying for a well-defined product (such as might be purchased from a vendor)—for example, the construction of a new building, the hiring of specialized staff for a grantee, or the execution of a well-understood task (such as conducting an audit or drawing a new map of a specified area). Recording outcomes is no substitute for learning nuanced lessons about the results of a foundation's activities.

7.5 Premature Evaluation of Innovations

If an innovation is evaluated before it has been fully implemented, important results and accomplishments will neither be observed nor appreciated. Innovations almost never unfold strictly according to a plan. Some foundation leaders fear that evaluations will result in the suppression of innovation and risk-taking, because they assume that the inevitable uncertainties of innovations will cause negative evaluation results. It is not evident that this has ever happened. But whether or not this potential risk is a real problem, it seems clear that the program evaluation model—in which the evaluation seeks to determine whether the original goals of a project were achieved—is a poor choice for evaluating most innovations, particularly early in their development. It is implementation evaluations, not conventional program evaluations, that are best suited to determining how an innovation unfolds and what results, if any, it may be able to achieve.

Indeed, the lessons provided by high-quality implementation evaluations are likely to provide irreplaceable lessons that can accelerate the development and spread of an innovation, by systematically building up a rich store of evi-

dence and understanding of innovative practices and outcomes. Innovations spread when their results have been carefully described and understood (Rogers 2003).

A consistent pattern emerges from an examination of these pitfalls. Foundations can avoid the major problems that have limited the usefulness of evaluations by determining what they most need to learn and by using their evaluations to obtain those lessons.

8 Standards for Evaluation in 21st Century Foundations

By using evaluations, foundations can provide valuable lessons for society, and they can provide evidence of the value to society of their work. These benefits come directly from the harvesting of the most important learning that results from their work. The experiences of the foundations reviewed in this paper point to two critically important standards for evaluation in 21st century foundations:

- Foundations should have a learning plan and gather relevant information to capture the most important lessons from the results of their work.
- Foundations should make public significant information regarding what they have learned about the results of their activities.

These standards reflect foundations' compelling need for accurate information about the results of their work. It is a matter of great importance for foundation leaders to take the steps required to learn about and evaluate the results of foundations' work. This is the reason evaluation and the information it produces are essential for responsible philanthropy. The same professionalism that requires careful stewardship of foundations' financial assets and systematic reviews of staff performance requires foundation heads and trustees to use evaluation to gather information on the results and the lessons of foundations' activities.

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Who Comes to the Table?

Stakeholder Interactions in Philanthropy

Thomas E. Backer, Ralph Smith, Ira Barbell

1 Introduction

Foundations can benefit from interacting openly with their key stakeholders—to identify community needs, and to shape the best strategies for foundation involvement in changes to address those needs. Stakeholder interactions improve the ability of foundations to achieve their missions in ways that help people and communities. They also can improve perceptions of the foundation’s community responsiveness, and its progress in fulfilling the public trust. This in turn may limit efforts to increase regulation of foundations by government, and decrease the likelihood that their tax-exempt status will be challenged (as happened in the United States recently)—thus maintaining foundations’ strategic advantages of leverage and flexibility. All of these benefits emerge most powerfully when stakeholder interactions are part of a continuing process, which stakeholders themselves help to shape.

Such benefits are especially needed now, for at least three reasons. One is a continuing concern that foundations are elitist institutions, too often uninformed and unresponsive to their communities. The second is the sheer growth of institutional philanthropy, with some 62,000 foundations in the United States presently, and many more on the way given the continuing intergenerational transfer of wealth. The third reason is the loss of philanthropic assets by many foundations, because of the recent economic situation. When foundations cut their giving because their investment portfolios are diminished, emotional reactions among grantees and communities abound. Stakeholder interactions can help make the best possible “triage” decisions under these conditions.

This paper presents current American perspectives on stakeholder interactions in philanthropy, organized under five key questions:

- Who are the stakeholders?
- Why are stakeholder interactions important?
- What modes of interaction bring stakeholders together?

- What are the human dynamics of these interactions?
- How can these interactions be improved?

The paper also includes brief descriptions of stakeholder interaction patterns for foundations in eight other countries. It concludes with two sets of suggested follow-up actions. The first is a plan of action for obtaining similar perspectives on stakeholder interactions from additional countries, and for weaving together these perspectives through international knowledge-sharing and cooperation. The second is a five-step plan by which a foundation whose staff or trustees are reading this paper could conduct a formal or informal “stakeholder assessment.”

There is considerable evidence that the interaction practices of philanthropy need to be improved. There are few incentives for interaction—and since all behavioral change is built upon incentives, this is a particularly critical point for improving interaction patterns. Moreover, making changes in philanthropy’s current system for promoting stakeholder interactions is difficult. The system is largely hidden, its incentive dimensions poorly understood, and its infrastructure minimally developed. For example, the laws and regulations underlying American foundations emphasize their independence, and their right to operate privately, without compulsory stakeholder involvement beyond the minimum required to maintain their tax-exempt status. Besides, perspectives from some other countries on this issue are given in this paper.

Stakeholder interactions should be aimed in part at building social capital. Besides, stakeholder interaction strategies can benefit from synergy with other great changes occurring within philanthropy today. Stakeholder interactions reflect primary themes about how philanthropy serves the public interest, about the value of philanthropic institutions having a certain independence to pursue those interests, and about the balance for philanthropy between risk-taking and conserving assets held in the public trust. This paper focuses on foundations rather than other types of philanthropy, and on the process of stakeholder interactions, but obviously this emphasis is occurring in a larger context of rethinking all the various roles philanthropy plays in civil society.

2 Who Are the Stakeholders?

In philanthropy, stakeholder representatives come to the table to speak for a class of other people or organizations in the community with a vested interest

in the outcomes of philanthropic strategy and decision-making. All members of a community benefit at least indirectly from the work of nonprofit organizations and thus from the foundations that support them. In that sense, the entire population are stakeholders of foundations, which after all are created through tax exemptions and in the public trust. In American society, foundations enjoy large degrees of freedom in selecting stakeholders, so long as the foundation's resources are used in the public interest, as defined in its mission statement. At least 10 major types of stakeholders may come to the table of philanthropy in the United States:

- *Philanthropic institutions*: This category includes other foundations (private, corporate, family, community) and their donors, staff and trustees; private, donor-advised funds (Fidelity, Vanguard, etc.) and their donors and staff; and associations supporting philanthropy, such as the Council on Foundations. It also includes the foundation's own "internal stakeholders," which may present some special challenges, such as how to honor the intent of a donor no longer alive.
- *Businesses*: Business corporations and their staff and board members may come to the table as fellow funders (e.g., direct corporate philanthropy through community relations, not a corporate foundation), or in other roles—community involvement through employees working as volunteers, leadership role of a business in the larger community as employer or landowner, etc.
- *Government*: A third class of funders is the federal, state and local government agencies that fund the nonprofit sector, and their staff and advisers.
- *Individual philanthropists*: There are 700,000 individuals with a high net worth (\$10 million or more) in the United States. They do a great deal of giving annually.
- *Nonprofit organizations*: Staff and boards of nonprofit organizations that receive support from philanthropy (and also those that either have not applied for support, or have been turned down for it) are important stakeholders who need to be represented.
- *Nonprofit support and intermediary organizations*: This category includes staff and boards of both nonprofit and for-profit organizations serving and coordinating the nonprofit sector, including capacity-building providers and local, state and national nonprofit associations. In particular, provider organizations that address many aspects of the local nonprofit and grassroots communities can bring that larger perspective to the table for input to local philanthropy.
- *Public institutions*: Federal, state and local elected or appointed officials are an important and often neglected category of stakeholders. Their interests

and ability to contribute may be different from those of the government agencies they oversee.

- *Media*: Journalists and administrators of print and electronic media organizations need to have a place at the table, especially those covering community affairs, the nonprofit sector, or philanthropy.
- *Foundation staff*: Their careers and livelihoods depend upon the vision, values and successful operation of the foundation that employs them.
- *Service recipients*: Their lives are perhaps the most directly affected by the outcomes of philanthropic strategy and decisions. Sometimes these stakeholders are more challenging to get on board—they may be disenfranchised members of the community with little positive experience in providing input to decision making; or they may have access or communication challenges arising directly from their status of need (such as people with severe disabilities).

Other possible stakeholders are scholars or consultants working in philanthropy. Similarly, consultants to philanthropy constitute an emerging set of potential stakeholders. At least one networking group, the Northern California Foundation Consultants Group in San Francisco, now exists, with over 100 members.

Sometimes stakeholders can be identified easily. In other cases, as with national foundations coming into communities to do grantmaking where they have little direct contact, it may be difficult to determine who the appropriate stakeholder groups are and who should represent them. In some cases, there may be disagreements within the community about whether a given individual legitimately speaks for them, which will need to be resolved through what may be a fairly delicate community dialogue.

3 Why Are Stakeholder Interactions Important?

- *Improving grantmaking and other aspects of the basic philanthropic process*: The rationale behind this is that foundations can do better grantmaking if they have regular, direct input from stakeholders about (a) how well the “mechanics” of grantmaking work—processing of applicant inquiries and proposals, communication and sharing of information about philanthropic process with the community, etc.; (b) the environment in which the grantmaking is done; and (c) the results of grantmaking. The broader the range of stakeholders, the more comprehensive the input, the wider the diversity of “problem analyses” and suggestions for possible solutions.

This rationale also applies to a foundation's convening function in the community, direct services some grantmaking foundations now provide to community organizations (e.g., for nonprofit capacity building), and programs run by operating foundations that may not do any grantmaking at all.

- *Increasing leverage*: Stakeholders can increase the effect of philanthropy by coordinating philanthropic activity with volunteer action, by helping find additional sources of funding, and keeping projects going long after a particular foundation's support has ended.
- *Increasing accountability*: Facilitating stakeholder interactions can help foundations deal better with issues of basic accountability (e.g., integrity of the grantmaking process), as well as the complex questions about the obligations of community stakeholders and foundations, and how these can be monitored and improved over time.
- *Improving transparency*: Hand in hand with increasing accountability is improving the degree of transparent communication of philanthropic activities. These days, creative and open strategies for disclosure can help philanthropy avoid the crisis of confidence in the corporate sector, and in the nonprofit arena as well.
- *Facilitating decision involvement*: Stakeholders can help foundations make good decisions about where to invest their philanthropic resources, in part because they may have more accurate, up-to-date perceptions of community needs. In addition, because philanthropy uses resources held in the public trust, some people believe that decision involvement in the disposition of these resources belongs to the public—as represented by key stakeholders.
- *Improving access to information*: Stakeholder interactions can increase the information on topics of interest available to a foundation, and thus its ability to share that information with communities.
- *Increasing access to partnerships*: Increasingly, success in philanthropic activity may require partnering with other community organizations, including other foundations. Effective stakeholder interaction mechanisms can increase the ability to identify and develop these partnerships and to sustain them over time.
- *Empowering communities*: Some foundations have an explicit commitment to increasing the power of community leaders to make and implement decisions affecting their communities. Increasing stakeholder interactions can get stakeholders more involved in the life of the community, as they come to the table to provide input or help make decisions for a foundation.

4 What Modes of Interaction Bring Stakeholders Together?

- *Individual interactions*: Foundations can encourage stakeholders to interact with each other individually. For instance, opportunities can be created for trustees to talk with grantees directly.
- *Partnerships (including funder collaboratives)*: Increasingly, the complexities of change and the opportunity for large-scale intervention make necessary the development of partnerships at different levels. Funder collaboratives, in which grantmaking resources are pooled to meet some mutually decided goals, exist in many communities today, for various purposes. They often have the desirable side-benefit of increasing interaction among stakeholders.
- *Conferences*: Especially helpful are meetings that bring different types of stakeholders together. These events have specific learning and information-sharing objectives, but they also offer both structured and unstructured opportunities for stakeholder interactions.
- *Convenings*: Foundations can gather together stakeholders for semi-structured interactions on community problems and needs, priority setting, and planning.
- *Internet foundations*: Internet foundations, as well as regional and national philanthropic support organizations, are beginning to explore ways that stakeholders can be engaged online, with electronic publications and opportunities for feedback to current or planned initiatives.

Finally, to get busy stakeholders to come to the table, it may be helpful to offer an incentive, such as a gathering that provides them with information or technical assistance on topics of interest as well as a chance to give input to the philanthropic strategy of the foundation. Stakeholder interaction is not a one-time action; ideally, there should be a natural “flow” of information and dialogue between foundation personnel and community stakeholders.

5 What Are the Human Dynamics of These Interactions?

Stakeholder interactions are human interactions in which all the complex elements of communication and motivation apply. Individual aspects are interwoven not only with group dynamics but also with larger legal, regulatory, professional, financial and cultural elements. Some important aspects of these complex human dynamics are listed below:

- *Responses to change*: If effective philanthropy is about helping make change

happen in communities, then stakeholder interactions also are about change. This raises for all concerned the fears inherent in change (or in the prospect of it). These human elements are often the key to success or failure in any change effort. For instance, nothing more than the “subtle sabotage of withheld enthusiasm” is necessary to derail a change effort, if key people resist the change. Communities with negative prior experiences with philanthropy may be particularly given to fears and resistance. Moreover, change is likely to fail unless there are appropriate rewards for making the change, and unless strategies have been followed for involving people in the community in designing and implementing the change effort. Last but not least, the people who will have to live with the results of change must be involved in designing the change effort.

- *Power differentials*: The power imbalance between funder and recipient can never be truly eliminated, and the results can range from exploitation, to silencing any opposition, to insincere relationships, to an uncomfortable relationship. Power differentials are accentuated for many foundations because their donors are wealthy business people and entrepreneurs who do not necessarily believe in participatory democracy. Moreover, nonprofit and community leaders have lived so long in a world of power imbalances that they may tend to internalize the power differential and to act on this internalized perception.
- *Stakeholder conflicts*: Different stakeholders come to the table with sometimes vastly different and inherently conflicting needs. Foundations sometimes find it difficult to determine who in fact truly represents one or more components of the community they wish to bring to the table. Some authentication may be needed, and authentication is a delicate and time-consuming process.
- *Difficulty of disclosing problems*: Stakeholder interactions, to be valid, often require discussing challenges or shortcomings of the foundation and its philanthropic strategies. This can be difficult given the habit of foundation staff and trustees to keep their affairs private (some foundations still do not publish annual reports), and the understandable reluctance to “air dirty laundry” in an environment where public or media attention may be unwelcome.
- *Language differences*: There are likely to be many language differences between foundations and their various stakeholders, representing different perspectives and traditions. Cross-translation and clear communication are the keys to dealing with these differences.
- *Cultural differences*: Different racial and ethnic cultures may have different styles and values about interaction. Interactions with “authority figures,”

for instance, have different implications in Asian versus Hispanic communities, and both in turn are different from the interaction patterns for European traditions that tend to dominate philanthropic institutions. Foundation staff and board members inevitably are authority figures because they hold the purse strings, so these cultural differences need to be taken into account.

- *Distinctive culture of philanthropy*: There are a variety of elements of the guiding tradition of foundations that affect stakeholder interactions. Foundations typically express their missions in very general ways that are difficult to quantify. They look internally for validation that they have achieved their missions. Foundations also have a long history of desiring to be innovative, while at the same time being risk-averse. Some of these traditions are changing, for example, with the arrival of “venture philanthropy” concepts to the foundation world—with a greater valuing for performance metrics, high levels of interaction with grantees and communities, etc. Besides, donors just starting up a foundation may have special concerns about stakeholder inclusion. A multistep donor education process may be needed to help them understand the benefits of stakeholder interaction.

6 How Can These Interactions Be Improved?

- *Review stakeholder categories*: A systematic review can determine whether any significant stakeholders have been left out, however inadvertently. As an example, a number of foundations have been working recently to get American youth more directly involved in philanthropic activities. They have created a new field of “youth philanthropy”—young people are not only stakeholders, but also have independent grantmaking authority so that they are truly empowered. They also learn practical skills for citizen involvement in the future.
- *Focus on the human dynamics of interaction*: Acknowledging that these forces are powerful, and building strategies for responding to them, can help to improve interaction strategies for philanthropic stakeholders. E.g., an honest discussion about power differentials and how to live with them creatively (as opposed to denying they are there or trying to erase them) may increase the effectiveness of stakeholder interactions significantly.
- *Focus on change*: It may be useful to create an environment in which the participating stakeholders are encouraged to jointly develop a theory of change underlying whatever strategy the foundation expresses, and to put philanthropic strategy into its larger community context.

- *Focus on communication:* It is important to get stakeholders to talk to each other, because communication helps build healthful interaction patterns for stakeholders. There are traditional and new methods for building communication. Among the traditional approaches are convenings. Among the new methods are town hall-style electronic voting technology and Internet-based strategies.
- *Focus on limitations of stakeholder interaction approaches and on risks/side effects:* It is important for foundations and all the stakeholders they interact with to recognize that these approaches will not solve all problems or work in all situations. Sometimes, direct observation by “standing on the street corner” and getting involved in community life can provide input that more organized stakeholder dialogues cannot. It is for this reason that place-based philanthropy so often involves foundations putting staff out into the community.

There are also costs associated with seeking and using stakeholder input to shape the philanthropic process. There is also an “expectation cost”—once communities have been approached for this kind of input, they will expect to be involved in a similar way in the future. Once decisions are made to invite stakeholder input, these decisions cannot be easily reversed. Moreover, foundations that bring stakeholders to the table need to plan in advance for the ways in which their input will be recognized and used. Finally, it may be difficult to get certain kinds of marginalized stakeholders to the table. In some cases, even other community leaders can be resistant to their inclusion if they are seen as disruptive.

In some instances, stakeholder involvement may actually be counterproductive. Some crisis situations requiring very fast responses may simply not permit a lot of stakeholder input, lest paralysis result. And in some cases, a funder is intent on implementing a philanthropic strategy that is at odds with the vested interests of some stakeholders.

- *Focus on the long term:* The work of stakeholder involvement, and of real systems change in nonprofit organizations and communities, is long-term work, and requires continuing commitment to change and support for the commitment to do so. There also needs to be constant surveillance to ensure that commitments to stakeholders are maintained over time. For these efforts, as for any human endeavor, it is easy to “regress to the mean” of previous patterns of behavior, without both external and internal vigilance.
- *Focus on direct intervention:* Sometimes the most effective way to promote stakeholder interaction in philanthropy is for a foundation to bring stakeholders together for some substantive purpose. Input about the mission of

the foundation, strategy and so forth then comes as a by-product of working together on this direct intervention.

- *Focus on structural changes:* In the end, some types of change about stakeholder interaction patterns will occur only if there are significant structural changes that encourage or even require different types of interaction. A public-health analogy is seatbelt compliance—no health education strategy works as powerfully as changing the laws so that people are actually given tickets and pay fines if they don't use their seatbelts.
- *Focus on the use of available guidelines:* Both individual foundations and philanthropic organizations at the state and national levels have issued guidelines which, among other things, set forth basic standards for stakeholder interaction. More direct attention to issues of defining stakeholders, “good practice” strategies for involving them, and ways to review and evaluate that involvement could improve the field of philanthropy generally.
- *Contribute to further study in this area:* Finally, stakeholder interaction strategies in philanthropy clearly need further exploration and study. A number of research organizations are engaging in such studies, such as the Urban Institute's Center on Nonprofits and Philanthropy, academically based philanthropy study centers, the Human Interaction Research Institute, and others. Some of these research studies directly address elements of stakeholder interaction, such as a current Urban Institute project on good practices in philanthropy.

However, a number of specific issues remain to be explored. For example, a number of American foundations now offer direct capacity-building services to their grantees or to the nonprofit community at large, through their own hired staff and in-house programs at the foundation. Stakeholder involvement is needed to address issues such as creating adequate “firewalls” between the grantmaking and capacity-building service sides of the foundation, and possibly unfair competition with other capacity-building providers in the community. Finally, research studies on this topic will need to include an evaluation component to show how to improve philanthropic performance.

7 Case Examples

To help clarify how some foundations currently approach the challenges and opportunities of facilitating stakeholder interactions, three case examples follow:

7.1 John S. & James L. Knight Foundation

Most of the Knight Foundation's grantmaking resources now are concentrated on 26 communities throughout the United States. To enable this place-based philanthropy, the foundation has set up community advisory committees in each of these communities. Stakeholder interactions are focused through the members of these committees. Each committee creates a philanthropic plan, sets the priorities on which grantmaking will be concentrated, and provides input on which local grant proposals in these priority areas should be approved. Field-based regional representatives work directly with these committees, with support provided by staff experts in relevant content areas based at the foundation's headquarters. Stakeholder interaction has been increased further for Knight through a more concerted effort to work collaboratively with business leaders and elected officials in each of these communities, in a coalition in which all three are equal partners.

7.2 New Mexico Community Foundation

The New Mexico Community Foundation's philanthropic strategy starts with the assumption that community foundations live with the consequences of grantmaking in a way private foundations do not, because building their asset bases requires attracting new donors from the community. Thus stakeholder interaction takes on a special importance, and NMCF has developed a strategic set of such activities that are combined with their grantmaking: (1) regular convenings of stakeholders throughout the state (which is large geographically but sparsely populated), (2) peer-learning opportunities through continuing networks, and (3) collaborative technical assistance to grantees and communities that also affords opportunities to the foundation to learn about stakeholder interests and values. Furthermore, NMCF has developed partnerships with larger foundations that use it as a delivery system for their philanthropic resources in New Mexico, in part because of the regular input received through the system above. NMCF also looks periodically at the effect of its stakeholder interaction system, and at its costs.

7.3 Annie E. Casey Foundation

The Casey Foundation uses an approach to stakeholder interaction it calls the "consultative process," first developed for its Neighborhood Transformation-/

Family-Development Initiative in the mid-1990s. It involves a series of focused conversations with diverse audiences. For the initiative, more than 600 practitioners, family members, community organizers, business leaders, Casey grantees, researchers and others participated in 24 such sessions between late 1996 and the end of 1998. The process was especially designed to obtain input from people who are knowledgeable but ordinarily don't have opportunities to provide input to philanthropy. Stakeholder input was obtained that the foundation used to shape its new 13-community initiative, launched in 1999, called "Making Connections." A place-based approach to philanthropy has emerged as a result, in which Casey works behind the scenes to encourage local planning and action, including involvement from all elements of individual and institutional philanthropy.

8 Stakeholder Interactions in the Business World

In for-profit corporations, one class of stakeholder has a legal right to come to the table: the shareholder. But increasingly, business leaders are setting up programs to get input from employees, customers, and residents in communities where their businesses operate. Recently there have been some shifts in the underlying principles by which these interactions are structured. For instance, earlier approaches focused on "controlling" stakeholders, that is, minimizing opposition to corporate actions. Now there is more of an emphasis on interactive processes in which a mutual exchange is the desired outcome—both for stakeholder input and for effective corporate-community relations. Thus, in these current approaches to stakeholder interactions, both organizational leaders and stakeholders have a role in strategy building. Several emerging stakeholder interactions directed to the business community may be applicable to philanthropy:

- *stakeholderalliance.org*: A project of the Center for Advancement of Public Policy, this group is intended to make corporations responsible to all stakeholders, not just shareholders.
- *stakeholderpower.com*: A joint project of Walker Information and the Council on Foundations, this system for measuring stakeholder interactions in business has been used by a number of corporations interested in involving the community more fully in their corporate philanthropy.
- *wbcsd.org*: The World Business Council for Sustainable Development coordinates stakeholder dialogues aimed at creating a common understanding between stakeholders in the debate about sustainable development.

9 International Analysis

Other countries present somewhat different scenarios for stakeholder interaction than does the United States. There are, however, also many similarities. The assessments of stakeholder interactions for these country's foundations are summarized briefly below.

9.1 Belgium

Stakeholder interactions in Belgium are complicated by the fact that the country has three official languages, and now operates in the larger context of the European Union. Belgian society also has been much influenced by waves of migration from other parts of the world, which have changed the pattern of stakeholders as well as the values and attitudes they present. The Network of Belgian Foundations, a work group with 10 funders, helps promote stakeholder interactions among major philanthropic organizations in the country.

Funders like the King Baudouin Foundation choose their board to represent key stakeholder groups, and Baudouin also interacts with the corporate community as part of the portfolio of corporate giving funds it manages. Service recipients are queried through evaluations conducted by foundation program officers, while interactions with policy-makers occur regularly, to share information about what the foundation is doing to contribute to Belgium and to Europe as a whole. Furthermore, awards ceremonies bring together foundation trustees, staff, donors and grantees for informal interactions, as do round tables organized by foundations like King Baudouin. Round tables are informal meetings in the foundation's offices, and they occur at all stages of an initiative (the foundation also has advisory committees that provide continuing input in its major areas of grantmaking). Communication occurs through Web sites and annual reports.

9.2 Brazil

As a developing country, Brazil is particularly likely to use public-private partnerships as a vehicle for organizing change. This makes stakeholder interactions all the more important for the foundations involved, especially when the problem on which the partnership focuses has controversial aspects, like citizenship and human rights. Foundations in the country tend to draw from a wide range of stakeholders for input, and use informal means

such as local forums, debates in local newspapers or radio and television programs, and the Internet. Service clubs and civic organizations also play a role in increasing participation for stakeholders.

The biggest challenge Brazil faces is the gap between rich and poor. Those whose energies are taken up with the basics of shelter, food, education and employment are more difficult to involve as stakeholders because they are preoccupied with these needs. Moreover, those who are included from the upper economic reaches often exclude the poor population from participating in decisions affecting their lives. Foundations that wish to take stakeholder interaction seriously need to deal with such larger social phenomena.

9.3 Hong Kong

In Hong Kong, umbrella organizations for both philanthropy and nonprofits could help promote stakeholder interactions, but this infrastructure does not yet exist. However, a series of workshops for nonprofits and grantmakers has been held recently in Hong Kong. As more infrastructure organizations are created, they can build upon these initial communications through additional workshops and other activities. This will help to create an experience base and specific structures for increasing stakeholder interactions.

9.4 India

India does not yet have a national coordinating body either for philanthropy or nonprofits. But there is widespread concern that foundations and related philanthropic organizations are not as transparent or accountable as they expect their grantees to be. In particular, while most philanthropic institutions in India address the vast needs of the poor, there is very little representation of poor people in stakeholder activities. As the infrastructure grows, such challenges of stakeholder involvement will need to be met.

9.5 South Africa

For South Africa, issues of stakeholder interaction are driven by the fact that most of its foundations do not have endowments, so they raise funds in the manner of a nonprofit organization—and often for a particular cause. This raises specific issues about stakeholder interactions, since people are being

asked to contribute financially to the foundation. Additionally, the word “stakeholder” does not appear directly in the language of South Africa, where the nearest equivalent probably is “partner.” Does the institution using language like this really mean by it a relationship of some parity and equity? Finally, unlike Hong Kong and India, there are infrastructure organizations in place, such as the South African National NGO Coalition and Southern African Grantmakers Association.

9.6 Thailand

There is a long tradition of individual philanthropy, for 95 percent of the Thai population is Buddhist. There are philanthropic organizations and development-oriented foundations that are centuries old and that operate under the patronage and stewardship of the Thai monarchy. Some foundations do request direct input from various types of stakeholders to guide their activities. The majority of Thai foundations fund their own projects rather than providing grants to nonprofit organizations or communities. These philanthropic institutions are oriented toward the marginalized in society, for whom public service delivery either is nonexistent, or is unable to reach the target population. Besides, the general public, nonprofit organizations and government agencies are among those called to the table with Thai foundations to provide stakeholder input.

9.7 United Kingdom

A number of funders, such as the Joseph Rowntree Foundation (JRF) and the lottery-funded Community Fund emphasize the inclusion of stakeholders with “lived experience” in the geographical or problem areas of a particular initiative. The aim is to combine philanthropy with life experience and knowledge to develop better solutions to intractable social problems. In order to ask more appropriate questions as well as formulate better solutions, JRF has prepared an internal thought paper, “Involving People in JRF’s Work,” to guide further discussion and action on this subject. The paper makes it clear that while the foundation will ultimately make its own philanthropic decisions, active involvement of stakeholders is of critical value in identifying issues, in steering and monitoring the work, and in dissemination and feedback.

Convenings or more formalized governance structures are a common

method for bringing stakeholders together, to shape funding programs, to oversee them as they progress, and to guide specific projects. Furthermore, informal networking through meetings and lunches also is fairly common, but the internet and conferences are less frequently used to bring stakeholders together in the United Kingdom. Nonetheless, representatives from business, government, individual donors and policy-makers are not heavily involved in the stakeholder interaction patterns of most foundations in the United Kingdom. Nonprofit organizations and service recipients, however, are frequently included, even for small foundations. Inclusion of the views of the general public is critical for semi-public funders, such as those funded by the national lottery.

9.8 Uruguay

In Uruguay, philanthropy is relatively undeveloped. Some infrastructure is beginning to emerge for nonprofit organizations, which are in this country called civil-society organizations (CSOs). About 70 percent of these now receive government funding, increasing the ties between the state and civil society. A few businesses provide philanthropic support to these CSOs, and an organization of business people that encourages philanthropic programs and social responsibility has recently been formed. It now serves some 20 enterprises in Uruguay. Out of these developments also may emerge more attention to stakeholder interactions in philanthropy.

These eight brief sketches are indicative of the wide range of circumstances in community, government, nonprofit organizations and philanthropy from one country to another. Certainly the pattern of responses just presented for the United States does not apply to other countries, as the examples just cited make clear.

10 An Approach to Stakeholder Assessment by Foundations

Foundations whose staff or trustees read this paper may wish to assess what they do now and what they have the potential to do in increasing stakeholder involvement. Formal guidelines for stakeholder involvement have yet to be developed. The following five-step approach may be considered for a relatively informal, but systematic, stakeholder assessment by foundations:

1. Review foundation mission to determine whether it includes specific lan-

- guage about who are the foundation's legitimate stakeholders and about any processes that are to be used to involve them in philanthropic planning and action.
2. Review current stakeholder involvements such as annual community convenings, advisory committees, or other methods by which various categories of stakeholders have been brought to the table, with an eye toward what kinds of input they've provided and at what level they're aimed (e.g., on a continuum from purely advisory to full decision-involvement in grantmaking).
 3. Evaluate accomplishments and shortcomings of current stakeholder involvement activities.
 4. Appraise pressures for improvement in stakeholder involvement coming from the community or any other sources (e.g., in the case of health-conversion foundations, from regulatory agencies overseeing them).
 5. Prepare report on stakeholder assessment drawing together what is learned from the first four steps, for further discussion with stakeholders, trustees and staff (this might be done in a few paragraphs for a small, unstaffed or minimally staffed foundation, or in a more detailed written report for a large foundation with many types of stakeholders).

If a significant number of foundations began to conduct such assessments, the result could be a relatively fast improvement in the amount and quality of stakeholder involvement in philanthropy. Philanthropic associations could help by providing platforms for sharing and discussing such assessments. When the kinds of more detailed guidelines for stakeholder involvement proposed in this paper are available, they could be integrated into these assessments—as part of the overall process by which those who come to the table help foundations improve their ability to effect change in communities.

Management Practices Surrounding Program Professionals in U.S. and European Foundations

Nadya K. Shmavonian

1 Introduction

Although philanthropy is part of the nonprofit sector, it faces special challenges in aligning its human-resource practices with its mission and strategies. At a time when the field of organized philanthropy is increasingly becoming professionalized, this paper explores some of the internal management practices that private foundations are employing to advance their grantmaking strategies, focusing on foundation-management practices surrounding program professionals. A survey of current practices forms the basis of the study. It involved interviews with presidents and human-resources executives from 13 foundations based in the United States.

Most of these are large, national, private, professionally staffed nonoperating foundations. Additionally, representatives from 11 European foundations were interviewed and a panel discussion was held at the European Foundation Center in June 2003 to gather further input for this study. Given that the vast majority of foundations do not have paid staff, this group is clearly not representative of most philanthropic organizations. Nonetheless, the practices and concerns of the group do reflect the array of human-resources practices in this class of larger, professionally staffed private foundations.

2 What Is the Work of Foundation Program Professionals?

Program professionals typically have job responsibilities that span a broad spectrum of activities. A critical facet of the program professional's work is the analysis of a nonprofit's capacity to conduct and manage proposed work through examination of the organization's track record, its leadership, and its fiscal and management capacity. It also is important to review the field, in order to understand the strategic ecology within which a nonprofit works. Looking at the internal logic of a given project proposal is another layer for

review. Additionally, a great deal of time and emotional energy goes into fielding inquiries from prospective grantees, and ultimately declining the majority of such opportunities.

Once a grant is approved, structuring and managing the grant and relations with the project staff constitute another major element of the work of the foundation program professional. Staying abreast of developments within the grantee organization is essential. Furthermore, staying abreast of the field more broadly is an ever-demanding element of the job. Most program officers are expected to represent their foundations at meetings and conferences as well as to stay current in reading and sometimes in publishing. Program professionals may also be expected to manage inquiries from the media. Moreover, most program professionals have some direct management responsibility for staff as well as for consultants.

All this activity takes place in an environment that still requires an inordinate amount of attention to a regular (typically quarterly) board cycle of grant documentation and approval, as well as board education. The build-up to board meetings in most foundations is to many program professionals the most enervating aspect of their job responsibilities, and involves a whole hierarchy of approval processes through successive layers of internal foundation management. Additionally, the work of foundation program professionals is most fundamentally characterized by a dynamic tension between direct action and facilitation. Effective program professionals navigate a series of nuanced tensions to find a balance between their direct responsibilities and those of grantees.

On the basis of the interview findings, the program professional role has inherent creative tensions and challenges that fall along the following continua:

Passion/advocacy	↔	Objectivity
Analytical skills	↔	Leadership and interpersonal skills
Academic specialty	↔	Results orientation
Strategic focus	↔	Ability to listen to others
Individual expertise	↔	Teamwork and facilitation skills
External networks	↔	Internal leadership and management
Program vision	↔	Attention to detail

In essence, the effective program officer is an individual who can encompass the competing qualities at both ends of these continua. These tensions are manifested throughout the career of the program officer at a foundation, and present unique human-resources issues for these institutions.

To describe the human-resource issues in philanthropy more fully, it

would also be important to conduct a broader examination of the true length of program officer tenure among staffed foundations, and to correlate the relationship between changed program directions and staffing. It would also be interesting to track the career paths of program officers to understand how many move to other foundations and how many leave to work on foundation-sponsored programs. Most importantly, it would be valuable to examine the effects of these transitions upon nonprofits: When an officer leaves a foundation, what percent of his or her portfolio of grantees remains after his departure, and what does this mean for the nonprofit community served by that foundation?

3 Attracting Program Professionals

A key finding about attracting new staff is that understanding and identifying the proper mix of program and leadership skills needed in professional program staff is a greater challenge to foundations than recruiting interested job candidates.

Most foundations report that attracting and retaining professional program staff is not a problem. If anything, foundation leaders express some discomfort about the lack of natural turnover among incumbents in these positions. This is especially true among the European foundations that were surveyed, as restrictive labor laws leave little room for management to initiate staff transitions. In the United States, the strong compensation and benefits packages offered by foundations constitute one of the many factors that help explain why they have not felt the labor market pinch. However, finding the right professional staff is a different challenge and is linked to a foundation's ability to identify its core work and strategies, as well as to grapple with the multiple—and sometimes competing—skills required for this work.

3.1 Core Competencies

Key findings about core competencies are:

- Clear linkages exist between foundation strategies and hiring practices.
- The most highly valued skills for program professionals include subject area expertise and analytical skills; people management and relationship management skills; communication skills, particularly writing; attention to detail.
- Myriad creative tensions emerge in hiring program professionals when try-

ing to balance professional and analytic qualifications with the requisite leadership qualities.

- Teamwork is increasingly valued as a core competency.
- Financial management skills are not a priority.

A strong link between hiring practices and foundation strategy or grantmaking philosophy exists in the foundations studied. For example, several foundations with a grantmaking focus on community-based programming direct their recruitment largely toward identifying individuals who have significant experience running community-based organizations (CBOs) or in local policy circles. Similarly, two foundations with a strong focus on community-based programming proactively seek a staff that is representative of the ethnic and racial diversity found in their target communities.

Increased emphasis on work in teams is an emerging trend that may affect foundation hiring practices. The foundation executives and human-resource leaders noted that this competency is sometimes at odds with the orientation and habits of subject specialists. Subject area expertise is the core required competency cited most frequently among U.S. foundation executives and HR leaders, coupled with sound analytical skills. Analytical skills enable staff to integrate and synthesize large amounts of data and information into program actions.

Moreover, foundation executives and HR leaders also note the importance of program professionals being “engaged” grantmakers, staying with projects for the duration, and not sitting on the sidelines once a grant has been made. Furthermore, relationship skills are vital both inside the foundation for team work, as well as outside in order to manage networks and other connections essential to program development, execution, and the broader change foundations hope to stimulate. Taken together, balancing subject-area specialty with interpersonal skills is perhaps the most difficult aspect of hiring for program staff. Political skills also are important.

Another balancing act involves finding program-area specialists who are strategic and bring an action orientation to the work. For organizations that have long turned to the academy for much of their talent, the increased foundation drive for strategy and results may be at odds with the more traditional researcher’s skills. Moreover, “one has to be an intentional strategic worker, yet also a good listener and synthesizer.” In addition, passion—and sometimes advocacy—for the work is an important motivational source, yet this, too, must be balanced with an appropriate objectivity: “We want involved people, but they also need to know when to stand back and let grantees do the work,” as one foundation executive put it.

Furthermore, communication skills, and in particular writing skills, are highly prized by foundations. In a field where outcomes can be difficult to measure, foundations place a premium on presentations to staff and board, or written products. Besides, attention to detail and administrative responsibility turn out to be larger parts of the program professional's job in philanthropy than is usually apparent to prospective candidates. For all of the lofty strategic program goals, there is a great deal of paper and administration that must support the work.

Remarkably, one competency not cited by foundation executives and HR leaders in interviews for this paper is financial management skills. Although at its most rudimentary level the core transactional business of foundations involves the transfer and investment of substantial sums of money in nonprofit organizations, fiscal knowledge and management are seldom articulated as desired program officer competencies and responsibilities. The reason may be that foundations typically have separate financial staff to review the financial elements of prospective and current grants.

3.2 Approaches to Recruitment

Key findings about recruitment include:

- Recruitment pools vary by foundations' grantmaking interests
- Some foundations are developing sophisticated in-house search capabilities to avoid relying on external firms
- Foundation compensation and benefits packages are highly competitive
- There is general movement toward "broad-banding" compensation for program professionals, meaning that there are wider salary ranges for each position.
- Highly inclusive interview processes are the norm among U.S. foundations.
- Many European foundations draw staff from their corporate founders (particularly from financial institutions and banks that establish the foundations).

Foundations recruit program professionals from diverse sources that are closely related to their grantmaking interests. Interestingly, few turn deliberately toward individuals with prior grantmaking experience when recruiting for a program professional position. For some foundations, policy experience is deemed critical in order to effect change in the arenas in which they work. Foundations with community programming as a priority tend to recruit

program professionals who have worked in or led community-based organizations. Other foundations rely more heavily on the academy to find talent, and two foundations participating in this study have had success among journalism's ranks. (Here, the ability to sift through multiple sources of information and distill a course of action was noted as a ready crossover to philanthropy).

Many European foundations hire their program professionals from the ranks of industry—often recruiting staff from the founding company. One foundation with an entrepreneurial leadership program has identified talent from entrepreneurial business circles, and yet another foundation has found legal minds to be compatible with its more strategic approach to philanthropy. A global foundation deliberately recruits staff from the countries in which it works. All foundations surveyed for this study have used external search firms, although to varying degrees. The greatest reported predictors for success are the search firm's ability to grasp the core business of the foundation and its familiarity with and networks among the nonprofit sector. The most frequent complaint of those interviewed is the length of time required to conduct many searches.

Frustration with the expense and timing of external search firms has led a few of the larger U.S. foundations to aggressively develop in-house search capacities and to organize their networks toward this end. One foundation has recently established a "talent tank," a committee of staff focused on how to best mine the contacts and networks of its own people in the broadest sense. Another large foundation has established its own internal search firm and conducts about 90 percent of its searches in-house, relying on networks aggressively culled from within the foundation and its grantees. A database of potential talent and key contacts is maintained internally and accessed by the human-resources department to conduct searches.

To establish compensation packages, the U.S. foundations surveyed rely on a range of published surveys, and most commission customized surveys periodically for some, if not all, of their positions. Some foundations do this collectively. In the European context, the fact that there are far fewer foundations and total foundation positions in Europe creates particular challenges for benchmarking compensation levels. This, coupled with the frequent residual relationship of European foundations to a for-profit founding company, prompts greater reliance on for-profit industry salary data.

Some U.S. foundations have begun to establish broader salary ranges for their program staff within grade structures. Grade structures essentially provide high and low ranges for position salaries within an organization, and "broad-banding" is a practice that allows for a larger range between a grade's low and high salary limits. Another foundation conducts a custom survey for

each senior program professional job that is posted; as a result, a program director for health might have a different salary grade than that for environment, based entirely on market data.

The interview and selection process has become increasingly inclusive at most foundations, involving large numbers of people from within and across working teams. Assessing the requisite skills of prospective candidates is a challenge. One foundation has developed a rigorous and systematic behavioral interviewing and testing approach that attempts to sift through the ample substantive qualifications of most prospective staff to identify their potential behavioral fit within the foundation. The use of psychometric testing (evaluated by a psychologist) is complemented by a rigorous and prescribed set of interview questions designed to probe certain competencies. Another foundation occasionally uses a “visiting professional” approach to audition prospective program professionals over a period of time before considering them for permanent employment.

4 Management and Development

Key findings about management and development are the following:

- People management skills are critical to the success of foundations and their programs, yet encouraging internal management and leadership can be difficult because many officers are outwardly directed and focused.
- The lack of promotional opportunities because of “flat” organizational structures within many foundations creates the need for increased developmental opportunities to keep officers fresh.
- The lack of promotional opportunities also suggests the need for more thoughtful and deliberate transition planning for staff—i.e., for staff to move out of the organization (in U.S. foundations).
- In most of the European foundations surveyed, since the ability to transition staff out of the foundation is limited by restrictive labor laws, the premium must be on developing staff in the jobs, although most foundation leaders surveyed acknowledged that staff development is a relatively new area for them.
- Establishing boundaries of program officer autonomy is important, as individual interests may diverge from foundation priorities.

The structure and organization of philanthropic work presents unusual management challenges. Perhaps chief among these is the need to keep professional staff motivated and fresh in what they do in the face of typically flat or-

ganizational structures—with few layers of management hierarchy and, therefore, few promotional opportunities. Additional internal management issues arise because program staff are drawn externally for their rewards. Their sense of achievement before joining a foundation is derived from their specialty field and these networks continue to be a major source of identity during their foundation tenures. This situation produces the management imperative to work at keeping program staff engaged and fresh externally while simultaneously inculcating in them that they are important internal leaders and organizational citizens, and as such have leadership responsibilities to the foundation.

There is also a tension between individual staff interests and motivation, and overarching foundation goals. To the extent that a foundation values the creativity of its officers, this may be in tension with some of the more routine administrative requirements for maintaining a cohesive and productive whole. The indirect nature of foundation program work exacerbates these tensions. Program professionals who have led organizations before joining a foundation and who have had a direct hand in creating change can become frustrated with working at a step removed from the action in their fields. Helping those individuals plan their tenure within philanthropy—and being explicit with them about their eventual plans to return to a different kind of work—may enable them to remain productive and to develop themselves in new ways during their foundation tenures.

4.1 Staff Orientation

A key finding about new employee orientation is that orientation programs are universally disappointing to foundation leaders. Even so, a solid introduction to a foundation's aims and practices is critical, esp. as philanthropies adopt a corporate "branding" approach, in which foundation officers are representatives and ambassadors of the foundation's message and strategic focus.

Perhaps the weakest foundation interface with program professionals is the first one: orientation. Overall, foundations vary tremendously in their orientation practices. Even among the foundations with formal programs, orientation is a work in progress; all the foundation representatives participating in this study expressed the intention to at least tinker with their current orientation practices.

A particular concern is the degree to which orientation should be centralized. When orientation is conducted within program units, as opposed to managed centrally, the messages conveyed across the foundation to new staff

members regarding prevailing culture and values may vary considerably on everything from foundation philosophy to more basic elements of practice such as approval processes and procedures.

Similarly, foundations with regional or satellite offices face the challenge of orienting and training geographically dispersed staff, and weaving those efforts together through consistent messages. To overcome this problem, one foundation with an extensive network of regional offices has four two-week “no-fly periods” each year, during which all staff must be available at headquarters for central meetings. This also presents the opportunity for centralized training and development interventions.

Another foundation houses its orientation process within a learning office. This model includes a formal three-day orientation held semiannually for all new staff. The orientation addresses values, vision, mission and strategic plan; programmatic orientation; and infrastructure introduction.

Several foundations interviewed use a mentor or buddy system to ease a new staff member’s transition into the foundation. Others provide formal written statements of core values to all incoming staff. Histories or videotapes of the founding families are other means of introducing new staff to the organizations’ values. Whatever the orientation approach, the credibility of a foundation’s introductory process rests upon the tangible newcomer experience of seeing staff “walk the talk.” Culture and values are absorbed by “watching how people treat one another.” Furthermore, within the corporate sector, firms increasingly recognize the power and value of grooming employees as ambassadors to enhance their brand identity. At a time when foundations are looking to increase their leverage in policy arenas through more proactive communication and policy strategies, a serious look at the potential for employee branding programs is warranted.

4.2 Performance Management and Differentiation

These are the key findings about performance management and differentiation:

- Performance management systems—formalized means by which employee performance is assessed and managed—are standard practice among large, professionally staffed private foundations.
- Most foundations currently do not emphasize performance differentiation because retention is not a major problem. Nonetheless, many foundation executives and HR leaders want to make more meaningful distinctions among their top performers in the future.

- Identifying clearer means by which to encourage staff transition (out of foundations) is a greater challenge than that of retention.

All but one of the U.S. foundations in this study use a formal performance appraisal. Most have four ratings for performance. Some link to an individualized work plan for program professionals with goals and objectives, and most provide an opportunity for each staff member to submit his or her self-appraisal and a response to the supervisor's review. Foundations are about evenly split between those that use one standard form for all positions, and those with separate assessment instruments for different job families. Most foundations conduct all performance reviews during a single period each year, rather than on employees' anniversaries.

Foundations use a wide range of interventions for program staff who are not performing well. These include training offered in-house or externally, coaching, special mentoring arrangements and the development of formal performance-improvement plans. A survey of executives in industrial companies found that the most effective development approaches occur on the job, while the least effective are more didactic training sessions. This suggests that a greater emphasis should be placed on direct feedback and coaching from supervisors in a "live" context.

Most foundation executives and HR leaders in this study feel they are not making very meaningful distinctions among their top performers. A common impediment is that performance appraisals typically are skewed well into the top measurement quadrant, with large numbers of staff "exceeding expectations." This tendency, coupled with relatively small merit increase pools, has had a dampening effect on meaningful performance differentiation in the foundation world. One HR leader noted that performance differentiation is expressly not a goal because promoting a democratic spirit among staff is seen as a cultural priority.

Among the foundations interested in seeing more differentiation, promotion is the primary means by which top performers are rewarded. However, the relatively flat organizational structures of many philanthropic organizations limit promotional opportunities. One foundation president noted that probably the best way in which top performers are recognized is through "the way we talk about them, the frequency with which they're cited, and the ease with which they gain board approvals." Moreover, four foundations among the U.S. study group use bonuses for their program professionals. Many foundations use "spot awards"—smaller awards for exceptional performance—for which all staff are eligible. Flexible benefits in terms of work environment, office equipment and other perquisites also are common.

4.3 Leadership and Professional Development

These are the key findings about leadership and professional development:

- Many program professionals lack leadership and management skills, yet foundation training programs in these areas are underdeveloped.
- Few deliberate programs exist to reinvigorate program professionals' networks.

Foundations are output-based organizations. Officers are expected to make and move grants out the door in a thoughtful and effective manner. To do so requires internal leadership, as well as management skills. Many foundation executives and HR leaders participating in this study report that while senior program professionals are accomplished in their fields of expertise, their management and leadership skills are often deficient. The critical gap appears to be the ability and proclivity of these staff to engage in direct communication with other foundation staff and constituencies, most notably grantees.

Human-resources units typically have well-developed training programs that define the responsibilities of both supervisors and subordinates in managing these performance-appraisal processes. In other words, foundation program professionals are being trained by their organizations to participate effectively in some of the internal processes and procedures, but not as often to exercise the core competencies required to be successful agents with external constituencies. However, foundations are becoming more actively engaged in refining and developing staff training programs focused on grant-making approaches and associated skills, such as facilitation. For instance, the Ford Foundation has recently launched a major Web-based training program for foundation staff that it has opened up to other interested grant-makers. The site utilizes a range of tools to convey the elements of effective "grant crafting," including case studies and videos.

All organizations face the challenge of keeping employees fresh and motivated, but this is particularly important for large staffed foundations, which generally strive for innovation and have a low rate of professional turnover. Of those surveyed, the Ford Foundation has taken the most structured step in this regard by imposing "term limits," which require that their program professionals be hired for three-year terms that can be renewed only once. After that, staff must transition from the foundation (although there is also the option of promotion to another position). This policy means that the professional staff is always in some degree of transition, with new employees and new networks invigorating the system continuously. None of the other foundations in this study has adopted a fixed tenure policy for program profes-

sionals. One criticism of term limits voiced by a foundation executive is that staff focus too much on their next job and not enough on their current work.

Beyond Ford's planned turnover approach, few foundations have concrete mechanisms in place to reinvigorate external networks. The John S. and James L. Knight Foundation has experimented with network mapping for its community liaison officers working in different geographic areas. When Knight Foundation staff attend conferences, they are expected to make and report on new contacts. Another foundation uses external evaluations of clusters of grants as a mechanism to elicit candid feedback from outsiders regarding the program's networks and openness to new ideas and strategies. The concept of term limits among European foundations would almost certainly be moot. All European leaders reported severe impediments to their free movement of staff. This places an especially acute burden on European foundations to be selective and strategic in their recruitment.

5 Transitions

These are the key findings about transitions:

- Foundations in the United States can do more to stimulate staff transitions but are often reluctant to move people out.
- Outplacement services and exit interviews are standard practice among the U.S. foundations surveyed.
- Foundations typically do not have good systems to capture and preserve the knowledge of program officers who leave, yet this information is critical for organizational learning.

Foundations do face the task of moving people out in order to energize networks and thinking among their program staff. Some foundation executives believe that longer tenure makes for better and deeper grantmaking. And certainly those organizations that have been fortunate enough to establish themselves as grantees of a foundation would prefer little staff turnover among their officers. And because of strict labor laws, European foundations typically do not have the luxury to contemplate employee termination (except by eliminating whole offices or programs).

In the United States, where options do exist to move staff more freely, the lack of rigorous performance differentiation, coupled with the typically non-confrontational atmosphere in many foundations, tends to delay difficult transition discussions and decisions. These delays represent an opportunity cost to foundations in the form of new programs and ideas not seized and

financial resources that could be invested in programs rather than in staff of diminishing productivity or value to the foundation.

All U.S. foundations in this study use outplacement services when needed in the event of forced transitions, but the services provided tend to vary with each case. Interestingly, none of the foundations has policies regarding potential conflicts of interest for staff members leaving the foundation—either in terms of transitions to a current or potential grantee organization or staff leaving the foundation with a grant. Besides, HR leaders generally report having an exit-interview process in place. The HR leaders report that this is a valuable means to stay abreast of organizational issues and identify areas for improvement.

Although most foundations conduct exit interviews with outgoing staff, few have formal systems to capture specific program learning as professional staff transition out. The Ford Foundation, with its term limits, does have a fairly structured process for documenting program officer experience. A few other foundations either have or are developing technology-based knowledge management systems that they hope will make program officer experiences and learning readily accessible to successors through databases.

The Bernard van Leer Foundation is developing an extensive knowledge management program—less to address staff transitions than as a primary means of fostering learning across disciplines. At a minimum, these databases capture important information about key contacts, interfaces with the foundation, and current grant status. Foundations that are moving increasingly toward a team-based approach to programming find that the team orientation and structure help to capture and retain organizational learning.

6 The Human Resources Function in Foundations

These are the key findings about the HR function in foundations:

- The role of the human-resources professional tends to be undervalued by foundation executives, and the HR unit is seldom viewed as a strategic partner to executive leadership.
- Valuable lessons exist in the for-profit sector, particularly regarding the strategic role of human resources as a business partner and the potential to outsource much of the administrative work of the unit.
- The CEO's role in shaping values and practices around people-management issues is of critical importance.

Foundation Data

The average ratio of human-resources staff to total foundation staff size among the reporting foundations was 4 percent. The highest reported percentage was 7.2 percent, and the lowest was 2.7 percent, with a median of 3.9 percent. Human resources (HR) departmental budgets as a percentage of total foundation expenditure are not tracked consistently and the data are not particularly meaningful as a result. To the extent that figures can be derived from HR unit expenditures in isolation, the range is from 1 percent to 3 percent of total operating budget, although in one study case it is 8.2 percent.

When asked to provide a current as well as an ideal distribution of time allocated to HR department functions, HR leaders reported the following (arrayed in descending order):

Current HR functional distribution	Ideal HR functional distribution
Recruitment 20%	Strategic planning 20%
Benefits administration and counseling 16%	Staff development and training 18%
Counseling and conflict resolution 14%	Recruitment 15%
Personnel administration 13%	Leadership development 13%
Staff development and training 10%	Benefits administration and counseling 12%
Strategic planning 9%	Counseling and conflict resolution 9%
Managing staff transitions 7%	Personnel administration 6%
Leadership development 6%	Managing staff transitions 4%
Other 5%	Other 3%

HR leaders wish to invest more time in strategic planning, staff development and training, and leadership development, as indicated in the side of the chart called “ideal.” Strategic planning and leadership development, in particular, are the strategic architecture and building facets of the organization. The maintenance and administrative functions had lower priority in the ideal scenarios. Consistent with trends in the for-profit sector, many of the latter functions might be outsourced over time. Though they do not receive much recognition for it from foundation leaders, HR staff often describe their role in staff recruitment and continuing development in ways that point to their critical importance in building institutional culture. It is typically the HR interview that simulates the real work of the prospective officer and orients candidates to the values and culture of the organization in a consistent fashion.

One area where HR units could be more helpful is in the organization’s strategic planning for staff growth. HR professionals have valuable insights

that could assist foundation leaders in thinking about alternative models for staffing. In particular, HR leaders can be helpful in articulating what the core work is and the characteristics of staff needed to execute the work effectively. These plans could also build in time horizons for new lines of work and might explicitly incorporate and factor in the use of consultants or contract employees as a means of enhancing flexibility in certain new, and potentially high-risk, areas of work.

For foundations that are open to explorations of new lines of strategy on a periodic basis, the use of more flexible staffing arrangements may be warranted. Program staff see the HR units as providing clear value as technical resources and support to the foundation. Not surprisingly, all the HR leaders described their CEO's role in shaping values and practices around people-management issues as being of critical importance.

In the for-profit sector, HR units have an increased orientation to internal and external customers, whether through strategy, organization design, performance measurement, or even designing incentives. Furthermore, HR units in the for-profit sector are grappling with implications posed by rapid changes in technology, including greater opportunities for companies to outsource many of the more transactional HR processes. It is likely that most, if not all, HR processing will be outsourced or automated in the future for greater cost-savings and efficiencies. As a result, HR's role as a business partner may focus more on strategic capabilities such as talent management, leadership and organizational development, change management and branding initiatives.

7 Conclusion

Perhaps most critical to improving foundation performance is elevating the importance and value of sound management practices and leadership skills among program professionals. This study suggests that a gap exists between the skills that some program professionals bring to their foundation positions and the skills needed to effect long-term change in the field. Within foundations, performance expectations in the area of relationship skills—beyond the substantive knowledge—need to be managed.

This area of individual performance enhancement needs to be supplemented by internal leadership to bring foundation programs together into a cohesive whole. This is particularly challenging because, with the exception of board pressure, the discipline needed for effectiveness must emanate from within a foundation. The inherent power imbalance between foundation staff

and outside nonprofits makes receiving performance feedback from, and being held accountable by, external sources a perennial problem with elusive solutions.

The comparative review of European and U.S. foundation management practices yielded more similarities than differences. Among the key differences observed between the U.S. foundations and the European foundations are the following:

- European foundations make greater use of generalists in their program positions than U.S. foundations. While there are some European foundations reporting a specialist preference, the generalist orientation is still more common than among U.S. foundations.
- The restrictive labor laws in Europe, coupled with recent economic stagnation, translate to exceptionally limited movement of program professionals out of European foundations.
- Despite the semipermanence of many of these European hires, staff development strategies are not as well-established among European foundations as they are among U.S. foundations.
- There is less sharing of data and best practices information among European foundations. There is not much open discussion of internal leadership and management challenges.
- European foundation salaries and benchmarking include more data from the private sector, both because the numbers of foundation positions for comparison are far lower than in the United States, and also because many foundation employees are recruited from for-profit parent companies.
- Language skills are noted as a core competency among some European foundations, but never among U.S. foundations.
- There are fewer foundations in European countries than in the United States. The relative lack of foundations in Europe creates challenges in fostering professional networks, both for information sharing and for professional movement within the foundation community.

Nonetheless, there are many similarities between the European and U.S. foundations:

- A perspective that in hiring program professionals the whole person is more important than just credentials: “more depends on personality than on background/experience.”
- Hiring from varied labor pools is seen as important.
- Balancing subject specialty with integrative/teamwork skills is a challenge.
- Poor economic conditions on both sides of the Atlantic make foundation jobs all the more desirable and potentially permanent: “People are stuck.”

This creates an appreciation for the need to look for high potential people who won't be trapped in these jobs.

- Finding a balance between relational and analytical and research skills is important.
- Both U.S. and European foundation leaders are challenged by little vertical movement, and the challenge of keeping professionals motivated and fresh in their jobs.
- The emergence of “silos” and the problems of little teamwork and communication across different program areas are a common challenge.
- All foundations surveyed have some form of performance-appraisal system in place, with most tied to salary action, although all foundations share some frustration with measuring results and outcomes in program work.
- There is a common recognition that sound researchers and scholars do not always bring strong management and administrative skills to foundation work.
- Foundations in Europe and the United States report a tension in managing both the internal and external responsibilities of program professionals.
- Some of the European foundations make regular use of consultants, as do most U.S. foundations.
- Frequent travel demands upon program professionals create communication and management challenges.
- All foundations report some challenge in managing conflict and discussing difficult issues in an open and direct manner.
- Finally, leaders in both Europe and the United States describe the challenge of trying to keep their organizations vibrant and animated, and maintaining “a breathing organization.”

Foundations are not academic enterprises, but output organizations, and as such must develop internal management and leadership capabilities to a degree not fully realized at present. It is essential to integrate program planning strategically with a foundation's engines for implementation: its program professionals.

Innovations in Strategic Philanthropy— Lessons from Africa, Asia, Central and Eastern Europe, and Latin America

Helmut Anheier, David Winder

1 Introduction

Most research on philanthropy and all but a few case studies on foundations are based on organizations and institutions in developed market economies, in particular the United States. While we have the beginnings of a knowledge base on philanthropy in Europe, Australia and Japan, we know very little about the role, operations, and above all, the innovative potential of philanthropy in other parts of the world. It is against this background that this report has been written. What are the philanthropic cultures and practices in Central and Eastern Europe, Latin America, Africa and Asia, and how do they differ cross-nationally, and in particular from the U.S. and Western European experience?

Generally speaking, the philanthropic institutions in Central and Eastern Europe, Latin America, Africa and Asia are resource-poor, hybrid organizational forms; much different from the formal, large-scale foundations in the United States and Western Europe. Nonetheless, they are more reflective of local needs and capacities; and more importantly, they have greater innovative potential than some ready-made, imported legal form could offer. Accordingly, the case studies from different geographical areas serve to address the following key questions:

- What innovations take place in different cultures of giving?
- What are best practices, and how can philanthropy achieve greater social change?
- Are there practices and models that are transferable from one culture of giving to another?

The various contributions to the report reflect two levels: the national level that serves as background and provides the context for the second level—the more specific institutional case studies of particular organizations, initiatives or projects. Specifically, we selected:

- Two countries in Latin America: Brazil (innovations in corporate philanthropy and community philanthropy) and Mexico (innovations also in civil-society-led philanthropic institutions and community foundations)
- Two countries in Asia: the Philippines, with a Christian tradition and long experience with philanthropic institutions (both corporate and private), and Thailand, with a rich experience in traditional philanthropy (Buddhist and Chinese clans)
- South Africa: innovations in corporate foundations (mining companies) and national community development foundations
- Central and Eastern Europe, with rapid and diverse developments in the foundations sector since 1989, bringing in “imported” models from the U.S. and Western Europe but also reviving older philanthropic traditions
- A case study of the Aga Khan Foundation’s activities in Pakistan as an example of a philanthropic institution in the Islamic tradition

In selecting the actual case studies, we were guided by the definition and theoretical framework developed by Natasha Amott in “Interpretations of Strategic Philanthropy: Cases from the Philippines and Indonesia” and used the term “foundation-like organization.” We then applied the following criteria in drawing up a list of potential cases for examination:

- Foundation-like organizations (FLOs) that are agents of social change
- FLOs that are seeking to be strategic by focusing on specific needs, issues and challenges in their societies and systematically addressing them through clearly defined programs
- FLOs that have developed resource mobilization strategies that are potentially sustainable and replicable
- FLOs that have worked on a scale that has produced significant impact

To the extent possible, each of the cases selected in the countries mentioned above was to address the following questions:

- How did the FLO identify the specific needs, issues and challenges to address (i.e., mission and vision)?
- How did it develop a strategic approach to address identified needs?
- Which strategies/programs/mechanisms proved most effective, and why (i.e., grantmaking, loan making, capacity building of civil-society organizations, convening, support for policy analyses, etc.)?
- How did the FLO select which institutions and individuals to partner with in order to most effectively meet its objectives?
- How did the FLO evaluate its progress and effect, and how did this result in learning, create knowledge, and inform decision-making?

- How did the FLO deal with the challenge of raising and managing financial resources to enable it to fulfill its mission?
- What specific innovations took place and in what field of operation (e.g., governance, fundraising, program, intersectoral partnerships)?
- Are there best practices that could be transferable, under what conditions, and with what modifications?

The case studies begin with an overview that identifies major trends in local and regional philanthropy, with an emphasis on foundations and foundation-like institutions over the past 20 years, placed in specific cultural, historical and political contexts. The summaries presented here draw on fuller versions of the full case studies. A concluding chapter brings together the major results of the various country chapters and case studies, identifies critical innovations in strategic philanthropy, and focuses on best practices and lessons learned.

2 Brazil: Private Social Investment

Marcos Kisil looks at innovations in philanthropy in Brazil in the field of corporate social responsibility and corporate philanthropy, and presents three case studies: the ABRINQ Foundation, created by the Brazilian Association of Toy Manufacturers; the Boticario Foundation for the Nature Conservancy; and IDIS, an organization supporting community philanthropy and private social investment.

Since the Portuguese colonized Brazil as a Catholic society in the 1500s, charity has been part of Brazilian culture. More recently, during the 1980s, Brazil initiated its transition from a military dictatorship to a democratic regime. As a result, three intertwining factors led to the present status of Brazilian philanthropy: (1) the failure of the national government to guarantee basic rights, as stipulated under the 1988 constitution, such as human services in health, education, housing, sanitation, etc.; (2) a civil-society movement that resulted in thousands of new nonprofit organizations being created through the volunteer work of private citizens; and (3) the discovery of business entrepreneurs with the skills, knowledge, networks and social commitment to become effective social entrepreneurs.

Like most developing nations, Brazil suffers from poverty, indigence, low educational attainment, low health indicators, regional imbalances and wealth inequality. In this sense, the modern Brazilian philanthropy movement, often referred to as private social investment, can be considered a strategic element

to foster national development. The philanthropy movement is based on the needs of excluded people, on the capacity of citizens organized around community-based organizations, and on the strategic participation of social investors such as corporations, families and private individuals.

In recent years, however, the government has begun to show more willingness to cooperate with citizens' groups. Two reasons account for this. The government recognizes that it cannot cope alone with growing public demand for more and improved services. Additionally, it realizes that local community organizations can provide more accurate and representative information about needs, which makes provision of public services by government agencies easier and more effective. The following three cases illustrate the current state of Brazilian philanthropy and show that citizens can play an active role in setting the course of philanthropy in an effort to reshape Brazilian society.

First, the ABRINQ Foundation developed innovations in the following ways: by establishing a circle of philanthropists to begin its operation; by introducing the idea of cause-related marketing; by creating a cause-related foundation with a focus on children's rights; and in using as a main operational strategy the mobilization of different sectors of society through different programs.

Second, the Boticario Foundation for the Nature Conservancy (FBPN) has developed innovations by bringing together corporate responsibility interests, government, local NGOs and international agencies on environmental, social and economic-development issues. Also, FBPN demonstrated that collaboration and sharing of techniques could engender positive changes beyond the intended scope of a partnership. Collaboration can be done with international foundations, with national organizations and with the communities where projects occur.

Finally, a strategic program of the Institute for Development of Social Investment (IDIS) on community philanthropy introduced and disseminated the idea of community philanthropy organizations (CPOs), an emerging structure to organize a local system on philanthropy. Moreover, it introduced the use of asset-based community development (ABCD) as a tool to identify elements of the local system for philanthropy. Besides, the IDIS program highlights the importance of partnership with leading organizations in community foundations such as the Community Foundation of Canada (CFC), to learn from their experience.

New forms of collaboration between all three sectors present an opportunity to combine private and public resources, individual talents, and creativity for the overall benefit of the country. In addition, collaboration with government can also lead to the successful adoption of pilot projects, led by civil-

society organizations, as public policy. During the 1990s, philanthropy gained a greater importance for the full development of Brazilian society.

3 Central and Eastern Europe: Partnership

Miroslav Pospisil looks at developments in Central and Eastern Europe, and begins with an overview of the profound and far-reaching changes that have taken place in the regions over the last 15 years since the fall of communism. He then concentrates on three case studies: the Environmental Partnership Foundation, the Healthy City Karvina organization, and the Carpathian Foundation.

Since the fall of communism in 1989, the new development of philanthropy in Central and Eastern Europe has been characterized by all the challenges and difficulties of the post-communist transformations in general. Some specific features particular to civil society and its organizations, such as a complete loss of the rich pre-WWII tradition of philanthropy and voluntary action, lack of trust and social bonds in society, loss of habit of self-reliance and entrepreneurship, as well as lack of philanthropic wealth, have all characterized the development of philanthropy in this region. In this report, the Czech Republic and the Slovak Republic are selected to show the development of philanthropy in Central and Eastern Europe.

In the first years after the democratic revolutions of 1989, nonprofit organizations mushroomed. Most of them were new creations that responded to the societal ills inherited from the communist years as well as to new issues and new challenges. Individuals and groups who, in the communist years, had been concerned with an issue but were unable to act, set up most of the new organizations. Most organizations had a specific task or concrete, often local, problem in mind. Almost all of these “foundations” differed little or not at all from other nonprofit organizations of the early 1990s: they were action-oriented, they wanted to change things, and they were set up without any assets, relying heavily on fundraising.

Late in the 1990s, as the nonprofit sector grew and matured, several similar new laws were passed by the parliaments of both countries that codified four types of nonprofit institutions. Most NPOs remain focused on the concrete, the local and the short-term. But since the mid-1990s, a growing number of successful NPOs have gradually been taking on wider, social issues, attempting to achieve systemic effect. This development in strategic thinking and strategic action has been inspired by the growing self-confidence of the nonprofit sector as well as shifts in the perception by politicians and the gen-

eral public of the role of civil society. It has been prompted by examples of foreign foundations active in the region in the 1990s and nourished by their financial support. This process has also been accelerated by the new nonprofit legislation introduced in the late 1990s.

Generally, strategic thinking developed along three main routes: (1) fundraising, (2) asset management, and (3) operation. The organizations that stand out as the best examples of Czech and Slovak strategic philanthropy regularly display all the features described thus far. They have successfully learned from foreign models and have creatively transformed them to suit the Czech or Slovak situation. They have based their financial stability and long-term sustainability on the strategic use of partnership and cooperation with stakeholders. They team up with stakeholders and involve them in all their work, and in all stages of their work: from needs analysis, planning, fundraising and asset management to funding, project implementation and evaluation. They combine grantmaking and operation to achieve their goals.

Partnership can be described as the most important mode of operation that seems to emerge in the three case studies of successful strategic Czech and Slovak FLOs. Partnership also guides their strategic thinking and their work. The Environmental Partnership Foundation appeals to “Partnership for Empowerment” while the Healthy City Karviná uses “Partnership for Implementation.” Furthermore, the Carpathian Foundation emphasizes self-government and the self-confidence of local communities. In the context of a transitional country, where actors who wish to engage in social change are too weak to do so on their own, the creation of partnerships seems a logical strategic step to take.

4 Mexico: Community Foundations

David Winder focuses on Mexico and the role of CEMEFI, the Centro Mexicano para la Filantropía; FECHAC, a business-led foundation that works in alliance with civil-society institutions and government; the Fundación Vamos; and the Oaxaca Community Foundation.

In Mexico, 1985 proved a watershed both in terms of the growth of civil-society organizations in general and the foundation sector in particular. That was the year a major earthquake struck Mexico City, resulting in widespread destruction of low-income communities and heavy loss of life. Frustrated by the slow and inadequate response of the government, a strong civil-society movement emerged to take on the leadership of the reconstruction efforts. In the years following the earthquake, civil-society organizations turned their

attention increasingly from reconstruction to efforts to create more democratic, just and accountable systems of government. Others built on earlier efforts to increase citizen participation in local and national government within the context of respect for local cultures and initiatives. A large number of networks and consortia of NGOs were created around specific themes such as human rights, the environment and electoral rights. The rapid growth of philanthropic institutions has accompanied this expansion of the NGO sector.

One of the most innovative areas of development in the philanthropic sector is that of “community foundations.” Experience to date with community foundations indicates that this is an area of great potential for the growth of philanthropy in Mexico. Even in the poorest states such as Oaxaca, these foundations have been able to build on local human and financial resources and leverage other funds from government through the creation of partnerships. Some, such as FECHAC, offer a model for mobilizing funds from the business community in support of equitable social development.

These cases show that these new community foundations and national level community development foundations have proved capable of developing creative fundraising endeavors and of developing strategic approaches to applying their resources. FECHAC illustrates an enlightened, business-led foundation working in alliance with other sectors to address critical community needs. The VAMOS Foundation is a case in which civil-society leaders create an independent, grantmaking foundation that breaks new ground in building partnerships between sectors and between donors and community enterprises. The Oaxaca Community Foundation, initiated with strong support from U.S. foundations, builds local ownership and a strategic niche in one of the poorest states in Mexico.

5 Pakistan: Indigenous Philanthropy

David Bonbright offers an analysis of the Aga Khan Foundation’s attempt to create an indigenous infrastructure and support network for philanthropy in Pakistan, the Initiative on Indigenous Philanthropy.

The Aga Khan Foundation sought ways to enhance giving and volunteering in Pakistan to promote sustainable, self-reliant national development. It did so first by studying local practices or philanthropic behavior. In a second step, insights from this research were developed into a policy argument about the role indigenous giving practices could play in meeting an important and well-recognized need for more reliable financing for social development in general and for citizen organizations in particular. Timing was important

here, as the theme for self-reliance was strongly felt at this time of international sanctions against Pakistan (after the first nuclear detonations).

Moreover, the case for indigenous philanthropy was also framed to address the practical needs of different parties. The government recognized that it needed to take a partnership approach to modernize the legal and regulatory framework for nonprofit organizations. Philanthropists were made to understand that the Pakistan Centre for Philanthropy would offer practical services to meet felt needs, especially needs related to education and health backlogs. Citizen organizations were offered the prospect of more and better sources of funding for their good work.

Finally, the entire awareness-raising and action agenda was steered by a broadly based committee of leaders influential in civil society, business and government. It was of paramount importance that Pakistan should take a participatory approach to development. To do this, the current paradigm of governance must be deconstructed.

6 Philippines: Diaspora Philanthropy

Natasha Amott explores innovative philanthropy in the Philippines and offers an introduction into the history and current legal and fiscal situation in the country's culture of giving before examining two cases in more detail: the Consuelo Foundation and the Peace and Equity Foundation.

One phenomenon worth noting for its potential contribution to the growth and shape of philanthropy in the Philippines is that of mobilizing diaspora funds. One of the more interesting population statistics in the Philippines is the sheer number of citizens employed abroad, particularly in Europe and in the Middle East, who are sending remittances to their families and hometowns. Increasingly, academics and development practitioners in the Philippines are seeing the tremendous potential of mobilizing diaspora philanthropy for local development.

The following two cases speak greatly to the context for philanthropy in the Philippines. Certainly, there are challenges to be overcome, including the difficulties of working in areas of armed conflict (confined to certain parts of Mindanao), recent political crises, the lingering effects of the economic crisis, and declining international sources of funding for development activity. At the same time, both cases highlight the tremendous potential there is to learn from the work of foundations in the country. Foundations are creating effective partnerships for change that work to complement, rather than duplicate, resources, and the government, corporations, and the general public are in-

creasingly supportive of development activity and the role of foundations in that process.

In specific terms, however, the case studies offer two different scenarios of the application of strategic philanthropy. The first is the Consuelo Foundation, which is working to improve the lives and living conditions of disadvantaged children, women and families in the country. This case study examines Consuelo's strategic philanthropic practices through the lens of its efforts to build the organizational and financial sustainability of its nongovernmental and community-based partners, and to effect change through multisectoral, multidisciplinary initiatives. The second case is of the Peace and Equity Foundation, a relatively young organization. This case demonstrates an increasing ingenuity in how foundations in the Philippines are leveraging their assets by bridging more traditional philanthropic practices (i.e., grantmaking) with opportunities afforded by the workings of the capital markets.

Together, the two cases intend to demonstrate that in the practice of strategic philanthropy, the process of making decisions that cause a foundation to allocate its time and resources strategically is just as important as the outcomes these decisions generate. At its best, these outcomes will directly bring about social justice; at the least, these outcomes will generate positive social change that, over time, will eventually lead to greater social justice.

7 South Africa: Social Development

Dugan Fraser presents an overview of the current state of philanthropy in South Africa against the background of challenges presented by post-apartheid society. He analyzes the Liberty Foundation and the Nelson Mandela Children's Fund.

During apartheid, civil society in South Africa was distinctively highly politicized and organized. It successfully drew in a wide range of people to oppose the state and implement alternatives. Philanthropy during this period was forced to support activities that were not controversial, such as feeding schemes and traditionally welfarist projects. Addressing more fundamental issues inevitably led to politics and had the potential to lead to conflict with authorities. After democratization, civil society became markedly less influential and important, for a number of reasons. Skilled and experienced leaders were drawn into government, where they were offered opportunities to participate in supporting change, while many international donors shifted from supporting communities to supporting the state, leaving many civil-society organizations without access to resources.

More recently, civil society has started to become slightly more active, often using new strategies and approaches. In other instances, partnerships with government and local authorities and participation in income-generating activities have provided organizations with a renewed vigor. Lobbying and advocacy have become important activities for many civil-society organizations. Opposition to government policy (for example in its management of the AIDS epidemic and its restructuring of state assets) has also energized the sector to some degree, providing some structures with a clear rallying point and program of action.

Generally speaking, strategic philanthropy can be regarded as operating purposefully and systematically in order to achieve clearly defined philanthropic goals. In the South African context, it is best understood from a historical perspective. Previously, addressing the most obvious effect of apartheid and its ravaging effects on communities provided a clear arena for philanthropy, although, as noted above, the challenge was to provide support to people and organizations without incurring the wrath of the apartheid state. Significant official energy was devoted to ensuring that certain political structures did not receive funding, and this has created a tradition in South Africa where the receiving of funds is far more regulated than the giving of them.

Accordingly, best practice in strategic philanthropy in South Africa is probably that which seeks to operate developmentally. These are some best practices:

- Orientation toward improving the quality of life of poor people;
- Response to clearly articulated needs, preferably identified by the people targeted through the intervention;
- Concentration on achieving long term, specific effects that can be measured, analyzed and replicated in other situations, and;
- Provision of services in an integrated, holistic fashion.

South Africa has many of the features of sophisticated and developed economies. It is also being characterized by the poverty and underdevelopment often found in the global South. Crime and security, HIV/AIDS and income generation for marginalized people are generally seen as the principal development challenges facing the country. Additionally, a long history of poor governance and corruption has created a context in which moral regeneration is prioritized by many groups in society, while improving the quality of public-service delivery and creating an environment that facilitates freer economic activity are also recognized as important developmental areas.

Freedom in South Africa has created many more and new spaces for philanthropy. Despite grinding poverty, the society has developed many positive

features with the support of philanthropists and others. The most important of them is a new respect for human rights and the dignity of ordinary people.

Two cases demonstrate the trend. The Liberty Foundation has played an important role in the South African story by responding creatively and thoughtfully to social and political changes and by being prepared to make strategic and policy shifts as required. Energetic leadership, a supportive governance structure and a clear commitment to making a visible impact allow the foundation to play an important role and to contribute to strategic philanthropy with a particularly South African approach.

The Nelson Mandela Children's Fund has traditionally raised and disbursed funds but has made a strategic decision to secure an endowment that will enable it to operate independently without having to be constantly investing resources in raising funds. The insecurity and vulnerability associated with having to raise funds constantly was seen as undermining the ability of the fund to play a long-term, strategic role, and having a secure endowment will allow it to plan for the future in a far more systematic and considered fashion. The fund intends playing the kind of philanthropic role in its niche that agencies like the Ford and Mott foundations have traditionally played in theirs. The fund is committed to institutional development and is putting measures in place that will enable it to meet the demands of the future.

8 Thailand: Community Self-help Organization

Paiboon Wattanasiritham presents an overview of philanthropic cultures in Thailand, and then offers a case study of the Population and Community Development Association and community self-help organizations, including the Klong Pia and the Trad Province savings groups.

Philanthropic giving has a long tradition in Thailand, based largely on the culture of fraternity and sense of community on the one hand, and religious beliefs and principles on the other. Buddhism has a strong influence on Thai culture. Thai people in general, whatever their religious beliefs, have the tradition of giving to temples and monks. It is in the context of community giving that there have been noteworthy innovations and creative developments in Thailand.

People in general appreciate and practice giving in the traditional or conventional sense. There is, however, little understanding of philanthropy or civil society as a sector, let alone its importance in social development. Although service delivery tasks by philanthropic or civil-society organizations are well-recognized, more militant nongovernmental (or civil-society) organi-

zations (NGOs or CSOs) appear to have captured media attention and coverage. This contributes to the public belief that NGOs or CSOs are trouble-makers, agitators against the establishment, or even agents of foreign interests. In addition, resource mobilization for philanthropic or nonprofit organizations has not been an easy task. Tax-exemption status for nonprofit organizations is still difficult to attain.

Awareness is high of the need to donate to larger, more conventional, mainstream and “legitimate” organizations such as the Red Cross and royal charities. Consequently, a steady stream of donations flows into such organizations. However, the same awareness does not exist for development of NGOs or even for service deliverers. As many of these organizations rely substantially on grants from foreign donors, there is a certain degree of mistrust of these NGOs or CSOs.

Two types of philanthropic organizations were chosen to represent innovations and strategic philanthropy in Thailand. The first one, the Population and Community Development Association, is an operating philanthropy which possesses a distinctively innovative and strategic style of management. The second type, community self-help organizations, is in itself a social innovation that is also strategic at the societal level. Despite the strong emphasis on self-reliance for resource mobilization and sustainability of funding, the capacity to raise funds among most Thai CSOs is still rather limited.

Several best practices with possibilities for replication or application emerge from the analysis. First, setting up a community savings group is an obvious possibility for a developing country like Thailand. Second, participatory management is generally an effective way to make the organization strong, especially in the case of community organizations. Third, deducting substantial portions of the organization’s surpluses in order to provide welfare as well as development benefits to the communities has proven effective both in attracting community members to join the self-help groups in the first place and also in retaining their membership for a long time. Fourth, strict discipline, transparent operations, and social-control mechanisms have worked effectively in both cases of community self-help groups.

9 Conclusion

A concluding chapter by David Winder and Natasha Ammot brings together the major results of the various country chapters and case studies. In addition, it identifies critical innovations in strategic philanthropy and focuses on best practices and lessons learned.

9.1 Innovations in Strategic Philanthropy

The cases provide examples of how foundations tend over time to develop more varied and proactive approaches to implementing their missions. This is, in part, a result of evaluations and strategic-planning processes and, in part, a response to the pressure of having to achieve the best possible effect with relatively modest resources.

In many cases, foundations start with a major emphasis on the provision of small grants to microprojects in order to respond to demands and to create a track record in grantmaking. In managing and evaluating these grant programs, foundations become aware of their limitations, such as little effect on root causes of problems and lack of sustainability. To overcome these limitations and achieve lasting change, foundations introduce a range of additional practices and program interventions. These include capacity building of local organizations and complementary actions to influence policy.

9.1.1 *Innovations in Program Strategy*

These are some of the more innovative practices that the case studies bring to light:

- Working with other groups and sectors in order to catalyze change
- Supporting the strengthening of civil-society organizations
- Social marketing
- Testing and disseminating new approaches to social development
- Maximizing the effect of small grants programs
- Strategic planning to inform practice

9.1.2 *Innovations in Resource Mobilization: Leveraging Assets*

While some of the cases are of foundations created with endowments (such as the Consuelo Foundation in the Philippines) or that receive a regular injection of funds from a corporation (such as Boticario in Brazil and Liberty Life in South Africa), the vast majority of foundations outside North America, Western Europe and Australasia are not recipients of large endowments from private or public wealth. Several of the foundations documented here have realized that if they are to have a strategic influence in their societies, they must apply creative methods of resource mobilization and ensure that those assets are leveraged to achieve maximum effect. Plentiful examples in our re-

port show that foundations have concentrated innovative approaches to leverage foundation assets in the process of fundraising and managing financial resources with significant success.

9.2 Behind the Practices

A range of factors in the local environment can influence the pace of growth or change in the kinds of philanthropy being practiced by institutions, not to mention the general growth and formation of the sector.

First and foremost, foundations tend to move along a continuum from reactive to proactive. This appears to coincide often with an evolution from responses that are motivated by charitable impulses to ones that look to address the underlying reasons for poverty (what we discussed above under social justice). In part, this is a result of their own learning emerging from evaluations and other forms of feedback, and, in part, it is a response to the pressure of having to achieve the best possible effect with relatively modest resources.

Second, foundations have learned to adapt to changing realities. The experiences of foundations in Brazil, South Africa, Mexico and the Philippines show how a transition to democracy can have a positive effect on the growth of civil-society organizations, including foundations. In addition, this transition to democracy and the more open society that has appeared along with it has resulted in spectacular growth in the number of NGOs providing services to disadvantaged communities and seeking resources from foundations to support their activities. This has put strong pressure on existing foundations in these countries and forced others to test new strategies and be more responsive to these needs.

Third, the lack of financial resources can sometimes be attributed, in part, to the lack of a positive enabling environment and cultural constraints. Constraints faced in many cultures include the lack of a tradition of giving to third-party institutions such as foundations, the lack of trust in such institutions to handle the resources responsibly, the absence of tax incentives for donors, lack of experience in raising and managing endowments, and the predominance of giving to religious institutions.

Some trends can be observed to bring forth enabling environments. On the macro level, a number of countries, led by Brazil, have witnessed growth in the corporate foundation sector, partly because of consumer pressure. Besides, in some countries the foundation sector has benefited from the creation of a new support structure. In Mexico, Brazil and the Philippines, mem-

bership associations have arisen that offer a range of services to foundation members and play a catalytic leadership role in advocating for a more favorable legal and tax regime for foundations. They also help to share best practices in strategic philanthropy among members and, in turn, share experiences in global networks such as WINGS (the Worldwide Initiative for Grantmakers Support). In the case of the Philippines, this support network has extended to the establishment of professional codes of performance by which organizations become certified and capable of receiving tax deductions.

9.3 Lessons Learned

A critical ingredient in a successful foundation is the existence of a strong and committed board and professional staff willing to learn from their experiences and listen to all sectors of the community in determining their priorities. In the case of the foundations profiled in this volume, most address the important role played at one time or another by the vision or skills of the president or executive director. Nonetheless, perhaps this is less open to being replicable because it comes down to personal dynamics. Reaching out to other sectors and crafting multistakeholder partnerships that draw on the respective skills and resources of all can lead to enormous gains. Equally important is a willingness to take risks and search for critical areas of social change that are being underfunded and under-recognized.

Tools for Good: A Guide to Vehicles for Philanthropy and Charitable Giving

Paula Doherty Johnson, Stephen P. Johnson

1 Introduction

Philanthropy in its literal sense—the “love of humankind”—is as old as our species; its manifestations through giving are many. Over the past 100 years, a number of giving vehicles have remained constant—e.g., direct gifts, giving circles, charitable trusts—while over the same period, entirely new models have come into being.

The authors’ intent here is to provide a fair and unbiased view of both old and new. The objective is to promote public understanding of models of giving that may be amenable to adoption and adaptation in countries and regions in which they may not exist or be fully utilized today. Included in the discussion of each giving vehicle is an overview of its essential characteristics, its regional uses and variations, constraints and other considerations affecting broader global applications, and additional information resources.

2 The Philanthropic Landscape

The strong economies that many Western nations have enjoyed over the last decade or so, combined with the early stages of the intergenerational transfer of wealth, have created unprecedented growth in personal fortunes in the West. Shifts in the boundaries and balance between the state, the market and civil society have led to significant increases in the size, scope and importance of the nonprofit sector and placed increased importance on philanthropy. Indeed, the past decades have witnessed a notable increase in both supply—total philanthropic resources available—and demand in the nonprofit sector, as evidenced by the growth of civil society over that period.

Equally important, perhaps, has been the evolution of donors’ philanthropic goals, strategies and outcomes, as donors experiment with new methods and models of giving. New forms of philanthropic investment have emerged

in response to donors' changing and diverse philanthropic goals. Many of these new giving mechanisms are a response to much broader philanthropic trends: for example, high-engagement philanthropy, donor collaboration and interaction, collaborative funding, professional support, and family philanthropy. Many of these trends are reflected in the giving vehicles discussed in the pages that follow.

3 The Process of Giving

Long before donors have selected an appropriate giving vehicle—a community foundation, for instance—to give life to their philanthropic goals, they may well have asked themselves about their passions, their goals, their giving style, and a number of other important threshold issues.

- *Passions and values*: Donors who are passionate about supporting their community in a range of ways, who deeply value their family's history of community charity, might well be best served by a community foundation as their giving vehicle. Alternatively, a donor who is passionate about preserving first-growth forests, say, and who values professionalism and wishes to be deeply engaged with professional colleagues, might wish to join or form a giving circle focused on the environment.
- *Goals and giving style*: If the donor's goal is short-term effect around multiple issues, direct gifts or a donor-advised fund might be appropriate. On the other hand, for the donor who seeks to create truly systemic change in a single issue area, a private foundation or a multigeneration supporting organization could be the better choice. Similarly, the donor's giving style can have a major influence on the choice of vehicles. The collaborative donor could do well with a giving circle, or as part of a community foundation with a collaborative culture. The "venture philanthropist" interested in metrics and measurement, on the other hand, might do better with a more independent vehicle.
- *Perpetuity vs. spend-out?*: In the United States, one of the great first proponents of perpetuity was Andrew Carnegie, who, believing that society would always be faced with new and difficult challenges, created a perpetual endowment to anticipate the problems and needs of the future. On the "spend-down" side of the debate was Julius Rosenwald, an early chairman of Sears Roebuck, who felt that the needs of the present were paramount, and thus programmed his foundation for extinction within a period of years after his death.

Other threshold considerations may include the following:

- *What vehicles are available to the donor?* The answer varies from country to country.
- *How involved with his or her grantees does a donor wish to be?* Many donors prefer simply to provide a monetary gift with minimal or one-time involvement with the grantee. However, for practitioners of high-engagement philanthropy, intensive and long-term involvement in grantee organizations can be the preferred model.
- *Does the donor wish to leverage his or her giving through the involvement of other donors?* The giving circle has become a popular way for donors to leverage their gifts, while networking with peers and educating themselves about giving opportunities and strategies.
- *What are the transaction costs?* Costs associated with various vehicles will vary greatly from country to country. In general, it can be expensive to create and maintain a private foundation. Other vehicles are often cheaper.
- *Tax implications?* Donors wishing to receive a deduction for their gifts should familiarize themselves with the tax laws that govern charitable giving in their jurisdiction.

4 Choosing a Giving Mechanism

4.1 Direct Gifts

In making a direct gift, the donor provides monetary support directly to charities and other nonprofit organizations, on a case-by-case, gift-by-gift basis. In countries where there is a commitment to encouraging social investment by the private sector, the tax system may be structured to encourage gifts to organizations comprising what is sometimes called the “Third Sector,” non-governmental organizations (NGOs), and nonprofit organizations. Direct charitable gifts provide tax benefits to both the donor (typically in the form of a deduction against income tax) and the NGO or nonprofit (exemption from certain business tax levies).

Direct gift-making is appropriate for those who know their philanthropic objectives, wish to make immediate gifts, and can identify nonprofit organizations that address those objectives. The giving model is useful for donors who do not seek or need the administrative superstructure of more complex giving mechanisms. Direct giving also allows donors to adjust their giving on an ad hoc, relatively spontaneous basis. Most frequently, direct gifts consist of money alone; the donor does not typically become actively involved in the or-

ganization's operations or programs. It should be noted, however, that because in most cases direct gifts are not earmarked for a specific purpose, evaluation of a direct gift's effect can be more difficult than, for instance, evaluating gifts that are part of a continuing giving program.

4.1.1 Global Use and Variations

Direct giving is practiced in every region of the world, influenced by myriad cultural, historical, legal and practical factors. The form and characteristics of direct gifts can vary dramatically from country to country and region to region. For instance, in a practice not allowed by most Western tax regimes, charitable gifts in Asia often flow from one individual to another. Times of crisis serve as a catalyst for charitable giving in almost all countries.

Indonesia, for example, experienced a surge in charitable contributions after famine hit the country in the mid-1990s and religious institutions launched collections to assist their communities. Religion serves as one of the dominant motivations for individual charitable activity around the globe. In Thailand, 94.5 percent of individuals in a recent study made "religious contributions," and in Indonesia, 98 percent of those surveyed listed "religious teaching" as a primary reason for making a donation.

In some countries, donors have the opportunity to make direct gifts through so called "federated campaigns" or "federated funds," devices created to encourage greater charitable giving. Such campaigns typically enable donors to make multiple gifts through a single payment to an intermediary organization. Gift drives are often held annually by the intermediary, either in the workplace or through a church. Donors are offered an extensive list of qualifying nonprofit organizations and can choose one or more organizations to which to give. Contributions are made through payroll deductions or a single donation to the "campaign." The organizing institution then makes the actual distributions to local and regional (and sometimes national and international) nonprofit organizations.

Tax deductibility is, as always, a factor in this arena. Where a full tax deduction is available for a gift to a federated campaign—e.g., in the United States, where gifts to United Way campaigns are fully deductible—"affiliates" of the campaign may enjoy a relative advantage in fundraising. In other countries, the tax regime is less favorable. In Greece, for example, any individual contribution above \$2,700 incurs a 10 percent tax. In other countries, such as Indonesia and South Africa, no tax deduction is available.

4.1.2 Considerations for Global Use

Beyond the cultural, historic, economic and political influences on direct giving, a number of other factors related to infrastructure can limit the practicality and effect of direct gifts. Common obstacles to their more widespread use include a burdensome NGO registration process; the lack of centralized information on the activities and legal status of NGOs; and general public distrust of NGOs.

4.2 Planned Giving

Planned gifts allow a donor to support issues and organizations of his or her choice while at the same time planning for his own or his heirs' financial future. Planned giving mechanisms vary according to their duration and the beneficiaries they are designed to serve. A planned gift is often—but not always—part of an estate plan, where it is subject to the laws governing trusts and estates in its country of origin. The following examples of planned gifts commonly used in countries subscribing to Anglo-American common law practice illustrate the variety of planned giving tools:

- *Charitable bequest*: A charitable bequest is essentially anything that a donor leaves to a charity from his or her estate through a will or similar legal document. Charitable bequests are used by donors who wish to support a nonprofit organization but do not know what portion of their wealth they will need for themselves during their lifetimes.
- *Charitable gift annuity*: A donor contributes cash or other assets to a nonprofit organization, which in turn agrees to make fixed annuity payments to the donor for the rest of his or her life. The donor can take an immediate income tax deduction for a portion of the gift, and a portion of each annuity payment is treated as a tax-free return on investment. The nonprofit organization that receives the gift benefits from the portion not used for payments.
- *Charitable Remainder Trust (CRT)*: A CRT is a planned giving vehicle through which a donor can provide for the current and medium-term financial needs of his or her beneficiaries while planning for the future support of a nonprofit organization. A CRT pays income to noncharitable beneficiaries named by the donor—often the donor himself or his children—for a set period of years. At the end of that period, the balance of the trust is transferred to one or more charitable organizations selected by the donor. The creator of the trust can take an income-tax deduction—for the

- determined value of the portion of the gift that will ultimately pass to a charity—in the year in which the trust is created.
- *Charitable Lead Trust (CLT)*: Essentially the opposite of a CRT. In a CLT, a nonprofit organization receives income from a trust for a period of years. At the end of the trust’s duration, the remaining assets pass to the donor’s beneficiaries or heirs on a tax-advantaged basis.

4.3 Private and Family Foundations

In this paper, the term “foundation” is used to describe a legal entity established and funded by a charitable donation to aid the public good. A foundation typically receives its endowment from an individual or family. Because the foundation operates to support the public good, the endowment is normally not taxed, although in the United States, the foundation is subject to a nominal tax. The advantages of a foundation can be many. A foundation can allow a donor to establish individual priorities and objectives and to further these objectives in perpetuity. It can permit the donor to maintain direct control over distributions. It offers the donor the opportunity to engage directly with beneficiaries and constituents, and to systematically evaluate effectiveness. It is a vehicle that can be used to strengthen family ties and connections. To create a foundation is to recognize considerations of mission, perpetuity, control, and family bonds. In determining whether to establish a private foundation, several issues bear consideration:

- *Donor intent*: Because private foundations usually pay out only a small percentage of their assets annually, their short-term charitable effect is almost always far smaller than that of a direct gift. Before creating a private foundation, a donor should consider the trade-offs between short-term goals and long-term effects.
- *Start-up capital*: Foundations work primarily from endowed funds and generally give away only a small portion of their total assets annually. Therefore, in order to have a sustained effect, private foundations require a significant up-front contribution to endowment.
- *Future gifts*: In many instances, private or family foundations are initially funded with a modest infusion of capital, in the expectation that some future financial event will result in the contribution of significant additional capital.
- *Administration*: The management and administration of a private foundation can be a significant undertaking, subject to complex legal and administrative requirements.

4.3.1 Global Use and Variations

Globally, the number of private foundations is growing. However, the data are somewhat inscrutable, given the highly variable use of the word “foundation.” In particular, much of the data does not distinguish between endowed and fundraising foundations. Others do not distinguish clearly between foundations for the broad public good and family trusts that serve the more narrow interests of an extended family. Still others include membership associations.

In the United States, private foundations gained tremendous popularity in the early 20th century, when the federal government first allowed deductions from income and estate taxes for persons who made charitable contributions. Today, there are probably more than 70,000 private grantmaking foundations in the United States. The Bertelsmann Foundation reports the distribution of foundations across Europe from a high of 20,000 to 30,000 in Sweden to a low of 30 in Ireland, and estimates of around 80,000 for all of Europe. In Latin America, there is evidence of an increase in institutionalized philanthropic activity over the past decade, particularly in the number of new private and corporate foundations. This is especially true of Mexico and Brazil.

Even more difficult than quantifying the number of foundations globally is the challenge of capturing their myriad differences in intent and practice. Here are a few significant distinctions:

- *Grantmaking vs. Operating Foundations:* In the United States, grantmaking foundations far outnumber operating foundations. In Europe, in contrast, tradition has clearly favored operating foundations. In Latin America, the majority of foundations are operating foundations, or foundations that combine operating and grantmaking programs.
- *Private vs. Corporate Foundations:* In many Latin American countries, for example, the tax consequences inherent in selecting one form of foundation over another can be less than clear, making it common for wealthy business owners to draw little or no distinction between their individual charitable contributions and those of their company. In Germany, many private foundations are affiliated with privately owned family businesses and hence often have more to do with family philanthropy than with corporate philanthropy.
- *Public v. Private Giving:* In some regions, the use of private foundations may be limited by cultural traditions that are critical of public displays of personal wealth. In East Asia, for instance, very few families of wealth have family foundations, reflective of a culture in which such displays are disfavored.

4.3.2 Considerations for Global Use

In many countries—particularly those currently drafting new legal and regulatory frameworks for civil society—questions are being posed about the roles for private foundations. The paradox is that foundations represent a combination of public and private capital: governments allow the sequestering of a pool of capital in the form of a foundation endowment, and then waive taxes on the endowment and its income. Thus, the income from that endowment that is available for distribution (in a grantmaking foundation), or program operation (in an operating foundation) is both public and private.

As a consequence, public policy-makers must balance the benefit that private foundations offer—allowing donors to do good and at the same time enjoy tax advantages—and advancing the public good. Is this a win-win proposition? Governments have a legitimate right to consider carefully the purpose, benefits and costs to society of allowing and even encouraging the creation of private foundations.

4.4 Community Foundations

Community foundations are normally tax-exempt public charities. They typically seek and receive charitable gifts from a broad base of donors that includes individuals, businesses, and sometimes even government agencies, and use those gifts to address local and regional needs. While organizational structures and practices vary significantly from foundation to foundation, most community foundations share as a *raison d'être* the objective of addressing community or regional issues and improving the lives of people in a defined geographic area.

Globally, there is tremendous variation regarding the kinds of gifts donors can make through community foundations and in the amount of latitude donors can exercise in directing the use of the contributed assets thereafter. For example, in the United States, donors to community foundations can create so-called donor-advised-funds, in which the donor retains the right to recommend gifts to charities of his or her choosing, subject to the approval of the community foundation's board. Community foundations also offer "field-of-interest funds," through which a donor can support organizations that address issues relating to the environment, children and education, among others.

Community foundations offer a host of services and advantages to donors who wish to invest in their community, including expertise and information

about leverage, administrative services, lower transaction costs and economies of scales, as well as transparency and accountability.

4.4.1 *Global Use and Variations*

In the United States, the community foundation movement began in 1914 with the establishment of the Cleveland Foundation. Today, there are more than 700 active community foundations in the United States. In the 1980s, the concept of the community foundation took hold in the United Kingdom, with support from the Mott Foundation and Charities Aid Foundation. During the 1990s, the concept began to spread rapidly and widely beyond the United States and the United Kingdom, often encouraged and aided by U.S. foundations and nonprofit organizations. Today, in addition to the United States, there are more than 365 community foundations in 37 countries. In Germany, the number of community foundations has grown from three in 1997 to at least 50 today. In Mexico, the number of community foundations—often encouraged by the government—has grown to 20.

Most community foundations share a set of common features, such as the pooling of philanthropic funds from a range of donors, a focus on a specific geographic community, government by a local board, and social investment in local and regional charities. But many other characteristics of these newly formed community foundations vary widely, shaped by local history and local needs. These are some of the important respects in which community foundations differ:

- *Community needs and donor interests:* Many community foundations view themselves principally as resources for community development, pooling resources for community needs or a defined community agenda. Such organizations tend to offer relatively little flexibility in addressing individual donor interests and provide a fairly limited range of individual donor services. At the opposite end of the spectrum are community foundations that put much greater emphasis on donor interests and agendas. Such organizations often provide multiple giving mechanisms, individualized advisory services, and resources and educational opportunities through which donors can develop personal philanthropic interests and practices.
- *Grantmaking vs. operating organizations:* In some countries—notably the United States and United Kingdom—community foundations are organized to help donors enjoy economies of scale, work with other donors on common grantmaking interests, and support local nonprofit organizations. In this regard they serve as intermediaries between donors and nonprofits.

In contrast, many community foundations—particularly in Europe—operate their own programs. This often occurs in countries with a similarly high proportion of operating foundations among independent foundations. In such instances, the community foundation may be viewed as a competitor with, rather than a supporter of, nonprofit organizations.

- *Funding base:* Community foundations receive funds from a range of sources—private, corporate, and state—often reflecting the historical and political context in which they have been created. The source of funds also influences the kinds of activities they fund or operate. In the United States, community foundations are funded mainly by individuals. In contrast, in Russia and many Eastern European countries, community foundations are funded predominantly by banks and corporations. In other countries, notably the United Kingdom, community foundations can receive significant funds from the national government to operate community programs.
- *Endowments:* Many community foundations seek to build a resource for the community through the creation of a permanent endowment, while other foundations quickly re-grant almost all funds received. Endowments, considered savings for the future, can be difficult to justify in countries where immediate needs are great. Additionally, in countries where there is a persistent suspicion of civil society, endowments can be perceived as more of a tax shelter than a charitable gift. However, for a community foundation to have any hope of serving as a long-life resource for meeting community needs and for providing a dependable source of social capital, an endowment is essential.

Additional dimensions in which community foundations tend to differ include size, scale of geographical region served, number of donors, scope of purposes they pursue, amount of unrestricted vs. restricted funds available, governance structure and board composition.

4.4.2 Considerations for Global Use

The staying power of community foundations varies significantly from country to country, from region to region, and from foundation to foundation. Among the significant issues for the future and more widespread establishment of community foundations are the following:

- *Definition of community:* To what extent and in which regions is a geographical community the most effective organizing model for pooled, community giving? Are there places where a community is more strongly defined by other variables, such as cultural or religious affiliations?

- *Trust in intermediaries*: In some cultures and regions, there is a pervasive distrust of civil society. In India, for instance, there is a reluctance to work with intermediary groups; philanthropists prefer to work directly with grassroots organizations.
- *Role of external funds*: Many community foundations have been established with outside resources. It is difficult to predict the staying power of some community foundations once external funding and support is withdrawn.
- *Organizational independence*: Emerging community foundations are sometimes challenged by some other entity in the community, such as a savings bank or local government, to take control of the foundation. For many donors, a community foundation whose independence was seriously compromised would have little appeal.

4.5 Donor-Advised Funds

Donor-advised funds are accounts established at public charities—often community foundations—that allow individuals to make a significant charitable gift to the public charity, claim an immediate charitable tax deduction, and then, over time, recommend how, when and to which charities income and principal from the account should be distributed. Donor-advised funds can be hosted by a range of public charities. Such host organizations typically offer the benefit of their expertise on specific populations and issue areas. In the last decade, numerous financial-services companies in the United States have begun to offer donor-advised funds through public charity subsidiaries, attracting significant resources.

Donor-advised funds can offer advantages to the donor, including relatively low costs of entry, flexibility, administrative convenience, opportunity for family involvement, and the prospect for peer engagement and networking.

In addition, both commercially branded funds (e.g., in the United States, Fidelity, Vanguard and Schwab) and community foundation-based donor-advised funds allow donor-advisers to recommend gifts anonymously.

4.5.1 Global Use and Variations

Throughout the world, the use of donor-advised funds appears to be fairly limited, but of growing interest to institutions wishing to promote philanthropy, particularly in Western Europe. In Germany, a similar vehicle—the “dependent foundation”—has existed for more than 100 years. Also attached to a

host organization, the dependent foundation requires no minimum contribution and allows a donor to create a fund without incurring the costs or management responsibilities inherent in a private or family foundation. As with donor-advised funds at public charities in the U.S., the nature and extent of donor education services offered by the host charity can vary widely. In the United Kingdom, donor-advised funds were highlighted in a 2002 report by the Giving Campaign, a government-sponsored nonprofit organization.

4.5.2 Considerations for Global Use

Several issues will undoubtedly affect the growth and proliferation of donor-advised funds around the globe. Among them are these:

- *Legal environment:* Local legal, regulatory and tax regimes will have a strong bearing on the emergence and use of new giving tools.
- *Potential market:* Many donor-advised funds are marketed to individuals of significant net worth, but donor-advised funds can also be used to promote philanthropy among those of more modest means. The U.S. experience would suggest that the donor-advised fund can serve a truly heterogeneous economic market.
- *Administrative costs:* Although donor-advised funds are often touted for the low administrative cost to the donor, there are, nevertheless, significant operational expenses for the host organization. In countries where donor-advised funds are relatively new and such funds are few, economies of scale may be difficult to achieve.

Finally, there is currently some criticism of donor-advised funds in the United States. Some members of Congress grumble that while such funds provide immediate tax benefits to the donor, there is no timetable for the distribution of that benefit to the public, and there is no minimum payout requirement such as applies to private foundations.

4.6 Giving Circles

A giving circle typically consists of a group of donors who pool philanthropic resources around a common interest or issue to leverage the effect of their social investment. Such groups help to build community, increase the amount of philanthropic giving, and educate their members. Giving circles vary widely in size, structure, and grantmaking operations. Smaller, informal

groups often rely on a loose, unincorporated structure that utilizes volunteers to manage the group's grantmaking. As circles grow in size and ambition, some have incorporated as foundations and hired professional staff. Others have retained their structure and instead aligned themselves with a local community foundation. The alignment helps them obtain assistance in management and administration, among other things.

At the heart of many giving circles is a shared sense of identity among members. Religious and ethnic or culturally based circles have long histories. In recent years, professional giving circles have also become increasingly popular as corporate employees and executives pool some portion of their philanthropic resources. Giving circles appeal to donors for a number of reasons, among them leverage, learning, networking and engagement.

Missions, structures and effects of the numerous giving circles that have emerged in recent years vary widely. Two are profiled below.

4.6.1 Women's Giving Circles

While many women's giving circles focus on programs supporting women and girls, other funds focus on broader causes. A range of organizational models accommodates various abilities to give, and divergent interests. For example, some women's funds require only a modest financial commitment, but rely on donors' pledges of volunteer time to help strengthen grantee organizations. Other funds support a combination of individual and pooled giving, allowing donors to support their interests while responding to community-wide needs through larger, focused awards. In addition, many women's circles try to build confidence in women donors—addressing a disconnect between women's financial capacity and their confidence in using that capacity to effect social change.

4.6.2 Young Philanthropist Circles

Young philanthropist circles typically share two qualities. First, because young people often have more time than money, such groups offer opportunities for their members to contribute their skills and "sweat equity" and to work directly with nonprofit organizations. Second, recognizing that for many members this involvement may represent their first independent steps in philanthropy, such groups typically offer significant opportunities for philanthropic education.

4.7 Venture Philanthropy

Venture philanthropy (VP) has been defined as “a field of philanthropic investment that combines the policies and practices of long-term, engaged investment and venture capital models of the for-profit sector with the principles and public-benefit missions of the nonprofit sector.” The concept of venture philanthropy originated among businesspeople who, having achieved economic success in the private sector, were looking for ways to use not only their money but their business skills and expertise to address social issues and community needs.

While venture-philanthropy groups vary in their strategies and operations, they typically share several key qualities and objectives. First, venture philanthropy focuses specifically on building the long-term capacity and infrastructure of nonprofit organizations rather than on funding special projects. Second, venture philanthropy is generally characterized by a direct, engaged, working relationship between funder and grantee. Third, venture philanthropy tends to use sustained, multiyear investment commitments rather than annual or “one-off” grants. Finally, venture philanthropy seeks to answer one of the most difficult questions in philanthropy: “Has my gift made a difference?” Venture philanthropy is a particularly useful model for investment in emerging or expanding nonprofits that need not just financial capital, but also human capital and expertise.

4.7.1 *Global Use and Variations*

A recent book by NESsT identifies a number of foundations and funds outside the United States that employ the VP approach to investment, including Endeavor and the South-North Development Initiative in Argentina, the Fondo EcoEmpresa and Fondo Latinoamericano de Desarrollo in Costa Rica, Integra in Slovakia, and The Local Investors Fund and Charity Aid Foundation’s Investors in Society in the United Kingdom. Quite recently, a group of prominent European venture capitalists have founded the European Venture Philanthropy Association to promote the development of venture philanthropy throughout Europe.

An important model of venture philanthropy in the United States is Social Venture Partners (SVP). The SVP model was created in 1997 in Seattle, Wash., and it is the vision of Paul Brainerd, founder and president of the Aldus Corporation. By 2001, a loose network of SVP organizations had been created and SVP International was established to support and advance the

network. Currently, there are more than 23 SVP organizations in the United States. Quite recently, groups from several other countries—among them the UK and Italy—have expressed interest in establishing similar organizations.

4.7.2 Considerations for Global Use

Because the venture-philanthropy movement is relatively new, its effect on grantees has yet to be fully analyzed and documented. Several challenges confront such groups. First, while venture-philanthropy organizations often tout the importance of capacity-building initiatives, they themselves sometimes struggle with building and sustaining their own capacity. Second, with its self-designated “high touch” strategy of engagement with its grantees, venture philanthropy requires a significant infusion of staff and volunteer resources to meet the needs of its portfolio. Venture-philanthropy organizations can support only a small number of grantees. Third, there is no universal agreement on appropriate and effective methodology to assess effect. Because grantees typically leverage diverse funding sources in their operations, it is difficult to attribute results to any one donor.

4.8 Regranting/Issue Funds

Several giving vehicles—e.g., community foundations, federated campaigns, and giving circles—are regranting organizations that generally target local or community causes. That said, other regranting organizations have begun to play a particularly important role in international philanthropic efforts, helping individual donors address challenges in regions and nations sometimes beyond their ken and reach. Because international grantmaking poses unique challenges in identification of grantees, assessment of projects, and due diligence, intermediaries can be indispensable. Moreover, because many countries do not allow individuals to receive tax deductions for contributions to NGOs outside the country, an intermediary can help secure that benefit.

Many intermediaries focus on a specific global issue. Others focus on a particular geographical area. Typically, intermediaries have their own “on-the-ground” infrastructure and international networks and provide donors with the assurance that funds are regranted to reliable organizations. But their approaches differ widely. For instance, there may be significant differences in the level of involvement an individual donor is allowed in determining how his or her funds are regranted.

Increasingly, grantmaking institutions in countries other than the donor's own can facilitate regranteeing. Such organizations include community foundations and specialist intermediaries, such as the Foundation for the Development of Agriculture in Poland and regional funds such as the African Women's Development Fund. Such in-country organizations may be more knowledgeable about local issues, more familiar with local organizations, and may offer lower administrative or transaction costs than those which the donor could obtain on his or her own. Such intermediaries may also be able to evaluate the effect of grants. However, for donors seeking a tax deduction for their gifts, offshore intermediaries may or may not be able to provide them.

4.8.1 Global Use and Variation

There are numerous operational models for regranteeing intermediaries. While all share a common mechanism for investing in foreign NGOs, there are significant differences in the level of involvement a donor may have in determining how his or her funds are regranted. Such organizations also take very different approaches to their role as intermediary, and in the way in which they choose to facilitate significant partnerships between donors and grantees.

4.9 E-Philanthropy

The emergence of the Internet has fundamentally altered the philanthropic landscape. E-philanthropy provides donors easy and immediate access to information and knowledge on both grantee NGOs and Not-for-Profits (NFPs) as well as issues. It allows philanthropic decisions to be made individually, privately and conveniently. Moreover, the Internet may also allow an opportunity for an active relationship between donor and grantee, albeit at a distance. E-philanthropy can also facilitate education and information exchange, opportunities for volunteering, relationship building, networking and activism. According to the Initiative on Social Enterprise at the Harvard Business School, between 1999 and 2000 online donations skyrocketed from \$10 million to \$250 million.

While data on Internet giving are limited, several trends are noteworthy. First, Internet giving seems to be particularly attractive when urgent action and quick responses are critical, as in the wake of the September 11, 2001,

attacks in the United States. Second, the Internet appears to attract donors who have not been active or consistent givers, thus expanding the giving pool and building philanthropic capacity and depth. Third, there is evidence (currently limited to the United States and the United Kingdom) that Internet donors are both more generous and more spontaneous than other kinds of donors.

4.9.1 Global Use and Variations

E-philanthropy Web sites are more common in democratic societies and strong economies where both the philanthropic sector is well-developed and the Net is relatively ubiquitous. Outside of the United States and the United Kingdom, a large number of e-philanthropy Web sites still focus only on fundraising and giving, often with a limited selection of participating charities. This often stems from the absence of a comprehensive and credible information source on charities operating within the specified country. Such databases appear to be strong catalysts for online giving, driving users to the Web to find them. Moreover, they tend to strengthen the entire philanthropic sector and are used by grantmakers, researchers and others. Corporate giving may be a particularly promising area for future online application in many regions.

4.9.2 Considerations for Global Use

Access to and the cost of computer technology and Internet services will continue to limit the reach and effect of e-philanthropy in most of the world in the near future. A mature e-philanthropy environment will require the emergence of a critical mass of NGOs with the will and the ability to create a true Web presence. In many countries, the easier option for charities that cannot act autonomously online may be to join an e-philanthropy portal with its own giving community. In venues where the technology exists today, a further consideration is the human resources necessary to build and maintain an active and evolving Web site. Finally, if e-philanthropy is to support international giving, modifications will be needed to existing tax and legal regimes around the world.

5 Conclusion

Social investing has multiple roles to play in addressing the global society's seemingly intractable challenges. Just as the variety and diversity of donors and giving styles account for a great deal of the richness and robustness of social investing today, so too do the variety and diversity of giving tools facilitate and enhance the effect and the creativity of giving. New challenges, new relationships between donors and NGOs, the emergence of donor networks, and new technologies will inevitably give rise to new tools.

Despite the dynamic environment in which new vehicles are coming into being, and despite the regional and cultural variations that account for the richness in the field today, all those who value evolution in the field will need to take it upon themselves to explore and test new models in the coming years. The principal authors of this paper are the first to acknowledge that this paper is, regrettably, U.S.-centric. In the future, it will be important to identify, build on, and test new and emerging models of giving in other countries and cultures.

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About the Project

The International Network on Strategic Philanthropy (INSP) provides a forum for dialogue and critical thinking on the role of philanthropy and its influence on societies around the world. Operating as a decentralized think tank, INSP gathers, creates and disseminates knowledge regarding effective philanthropy and develops new tools and resources to professionalize and improve the practice of philanthropy around the world. Ultimately, INSP hopes to affect greater levels of philanthropy, more strategically engaged (for more information, see www.insp.efc.de).

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